

Canada's Gateways

Background

As a trade dependent country, Canada's prosperity is closely tied to its international commerce. Exports and imports account for more than half of our GDP.

Historically the United States (US) has been the destination for over three-quarters of Canadian merchandise exports. This number has been decreasing in recent years and in 2009, for the first time countries other than the US accounted for more than a quarter of Canada's export revenues. The relative decrease in our trade with the US has been attributed to increased competition, the thickening border and the effects of the global financial crisis. While the US will remain our largest trading partner, maintaining Canada's prosperity and high quality of life demand we diversify our trade.

Context

Canada is moving to enhance its trade relations with the world's largest single market - Europe - and high growth markets in Asia. The ongoing Canada-EU negotiations and the beginning of comprehensive economic partnership agreement negotiations with India have put us on the right track. In order for Canada to fully take advantage of international trade opportunities with key markets, it must also ensure that our ports and transportation networks, from infrastructure to operations, are optimal in efficiency, reliability and safety. This will allow Canada to position itself as a gateway into and out of North America.

Canada's trade-dependency requires that the effective movement of people and goods be done more efficiently and cost effectively than our competitors. The efficiency and reliability of our transportation infrastructure forms the backbone of our economic prosperity and is critical to the competitiveness of our businesses.

In recent years there has been good progress in planning and investment into Canada's border, transportation and logistics infrastructure. For example, since 2006 over \$1 billion has been allocated by the Asia-Pacific Gateway and Corridor Initiative (APGCI) towards improving and expanding Canada's Asia-Pacific gateway infrastructure. Among the major projects that have benefited from this investment are the South Fraser Perimeter Road; North and South Shore Trade Corridors, infrastructure in the Port of Prince Rupert; improvements to the Trans-Canada highway and the establishment of the Winnipeg International Airport as a major transportation hub.

While milestones have been achieved, more needs to be done to meet the needs of our expanding trade network. The prioritization of infrastructure investment - both physical and technological, the reduction of operational setbacks and improvements to our regulatory framework are all necessary to ensure that the main ports of entry are able to adapt to increasing and shifting trade flows. In the future, shipping companies may shun low productivity container terminals to avoid long port layover time

Infrastructure constraints can prove to be a major setback in the creation of effective gateways. Expansion of existing infrastructure is inevitable. The Canadian government must work with the provinces and territories to ensure the optimization of physical and technological infrastructure that supports our airports, seaports, roadways and railways. The recent support to the Pacific gateway is a welcome initiative which should be enhanced with increased investment in other gateways including Asia-Pacific, Ontario-Quebec Continental and Atlantic.

It is vital that there be investment in research and innovation in logistics systems to significantly increase the productivity of the Canadian supply chain. If Canada is to create a more competitive supply chain, we need to have an integrated and efficient transport network for rail transport, feeder transport, and inland transport by truck, as well as the vertical and horizontal cooperation which provides value added service to users.

Improvements to Canadian transportation and logistics networks must also be coupled with modifications to Canada's regulatory framework. Before committing to large investments, investors need to be assured of the costs and timeliness of the projects. Canada needs to ensure that we have a competitive regulatory and fiscal environment which would encourage private sector and foreign investment, particularly in transportation infrastructure. New and expanded infrastructure investments should have a one project – one environmental assessment policy. Policy makers should also implement foreign trade zones, physical or virtual areas that are outside of Canada for customs-purposes, which will increase Canada's ability to add value to goods moving through our gateways.

Furthermore, the nature of Canada's transportation network means that a singular inefficiency can negatively affect the entirety of the supply chain. Regulatory delays run the risk of hindering investment into future projects and can compromise the establishment of Canadian gateways. To limit such inefficiencies, the Canadian government must work with the provinces and territories to develop a national, non-discriminatory, transparent and predictable regulatory framework. To be effective, this framework must not favour one mode over another.

Finally, operational challenges continue to hinder the establishment of Canada as a gateway into North America. Bottlenecks caused by operational inefficiencies can seriously hinder the competitiveness of our gateway strategy. Among the most significant operational setbacks are problems with border customs clearance, which can result in costly delays and setbacks at all major ports of entry. While actual labour disruptions in Canada's gateways are similar in frequency to competing ports in the US, Canadian ports have a poor reputation for labour reliability. This is a result of posturing that often accompanies the collective bargaining process in Canada. For example, in early 2009 several large shippers diverted cargo to US ports as a result of the "threat" of a strike by the ILWU foreman in British Columbia.

Recommendations

That the federal government:

1. Actively and intensely promote all of Canada's major gateways.
2. Continue to invest in transportation, logistics and border infrastructure to ensure Canada is prepared for increasing and shifting trade flows.
3. Recognize that investment in physical infrastructure must also be coupled with investment in technology designed to improve the efficiency of our transportation system.
4. Commit to the creation of a competitive regulatory framework which encourages investment and promotes regulatory alignment across jurisdictions.
5. Optimize customs operations at ports of entry as an imperative for Canada to function as a successful gateway into North America. Customs clearance must be done in a timely, cost effective and predictable way.
6. Take steps to improve its reputation with regard to labour stability by supporting policy reform in this area. Shippers must be assured that labour issues cannot hinder the functionality of our supply chain.
7. Work with the US to reduce the thickening of the Canada-US border to facilitate the movement of legitimate people and goods.
8. Support programs designed to encourage trade with Canada, including – at minimum – the creation of foreign trade zones.