

**Ontario-Québec Trade Corridor and
Continental Gateway
“A safe, sustainable and competitive Gateway”**

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Summary

A multimodal transportation system developed and integrated to the rest of North America is essential to support Québec and Ontario trade as much with the United States as with the rest of the World. Despite the good performance of this transportation system, Québec, Ontario and Canada will have to rely on a structured and performing system in order to remain competitive in the future.

In July 2007, the governments of Canada, Ontario and Québec signed a Memorandum of Understanding stating the framework of a federal-provincial collaboration for the development of the Ontario-Québec Trade Corridor and Continental Gateway in partnership with the public and private sectors. The objective of this Memorandum of Understanding is to establish the Québec-Ontario Trade Corridor and Continental Gateway as a transport system that is strategic, integrated and competitive on a global scale in support of international trade and domestic exchanges supporting foreign trade. The global objective of this tripartite planning initiative is the elaboration and implementation of a global strategy for the short, medium and long term. This will allow a better integration of transportation systems while improving their effectiveness, safety and sustainability. This initiative is comprised in a Canadian initiative for gateways and trade corridors, the two other gateways being the Asia-Pacific Gateway and Corridor Initiative and the Atlantic Gateway.

The goal of this communication is to go over the Gateway's objectives and make a quick assessment of results from the infrastructure studies and workgroup activities on non-infrastructure issues (policies, regulations and operations). The analyses, studies and workgroups allowed amongst other things an evaluation of transportation demand and the identification of actual and future capacity problems as well as problems with regard to policies, regulations and operations. Some of these issues will be presented.

These results will be used for the elaboration of a strategy that should be made public in the fall of 2009 with the objective of identifying measures allowing the optimisation of the multimodal transportation system in support of international trade. Hence this communication will deal with the elaboration framework, the main issues and main Strategy components. It may also discuss more specifically some elements of the Strategy with respect to progress made.

Introduction

The objective of this communication is to present an overall view of the ambitious planning initiative that is the Ontario-Québec Trade Corridor and Continental Gateway.

As it will be explained in more details later, this initiative is a collaboration between the governments of Québec, Ontario and Canada, but also with many partners from the public and private sectors.

First, before discussing more specifically about the Continental Gateway initiative, it is important to talk about the importance of international trade for Québec and Ontario and the Corridor, what lies beneath it and other Canadian corridor initiatives. Then, the Memorandum of Understanding and its objectives, the governance structure and work plan will be exposed. Will follow the Strategy components and preliminary statements identified as of June 2009.

A Strategic Location on the North American Scale

Québec and Ontario benefit from a strategic location for trade between North America and the rest of the World. Both provinces offer a major access to North America's heartland. In fact, the St. Lawrence/Great Lakes system is the shortest route between Europe and large North American markets (Canada's economic heart and American Midwest). Indeed Québec and Ontario have within a 1000 km radius a direct access to a concentration of over 135 million consumers, less than a one-day trip.

The geographical situation along with a supply chain and an entirely integrated multimodal transport system offer Québec and Ontario a competitive advantage. Hence it is a strategic location for trade with our partners.

Importance of International Trade and of the Corridor

International trade is fundamental for Québec's economy which is one of the most open to the world. In fact, Québec occupies the 8th rank amongst members of OECD when it comes to the economy's level of openness. Québec is even ahead of Canada, occupying the 16th rank and of the U.S. standing at the 29th place. For Québec, exports mean jobs and wealth growth, essential factors for maintaining and improving the quality of life.

Including both interprovincial and international trade, it amounts to over \$208 billion in 2005, with \$41 billion directly with Ontario (20%), \$79 billion with the U.S. (38%) and approximately 30% with the rest of the World.

In growth terms, despite the fact U.S. is by far our most important partner, the value of trade with our neighbours to the South fell by 16% from 2000 to 2007, while trade with the rest of the World (excluding U.S.) rose by 47%, and is still growing.

It is noteworthy that international trade grows more rapidly (108% between 1992 and 2005) than interprovincial trade (29% for the same period).

International trade is therefore essential to Québec's, Ontario's and Canada's prosperity.

The following data show the important participation of Québec and Ontario to Canadian trade:

- Québec and Ontario goods trade represent 70% of the Canadian total.
- In 2007, 66% of Canadian international trade with Asia and Europe originated from Ontario and Québec (\$138 billions).
- In 2007, 70% of Canadian international trade with the United States originated from Ontario and Québec (\$400 billions).

More specifically, the Ontario-Québec Corridor is Canada's main economic corridor, supporting over \$560 billions worth of trade in 2007. The corridor embraces over 60% of Canada's population, contributes to over 60% of the country's GDP and accounts for over 75% of the country's manufactured production.

Efficient Infrastructures

Over 250 million tons of cargos are moved each year by the St. Lawrence/Great-Lakes system and the St. Lawrence River has many ports, corresponding to as many connections for trade. The Port of Montréal, open all year long, is Canada's second most important container port. It handled close to 1.5 million 20-foot equivalent unit containers (TEU) in 2008. This intermodal centre is served by both national rail companies, CN and CP and by over 25 trucking companies.

Two of Canada's busiest airports are in Ontario and Québec. Toronto Pearson International Airport is Canada's busiest airport with over 50% (value) of international air freight and 45% of international and cross-border (U.S.) passenger traffic. Pearson is served by 71 international carriers. Montreal-Trudeau Airport supports 17% of total international and cross-border (U.S.) traffic and is served by 32 international carriers.

The two main rail companies in Canada, Canadian National and Canadian Pacific, operate throughout the Ontario-Québec Corridor. These companies are well integrated with the rest of the North-American railway network since they serve Canada and several regions in the United-States.

The highway network is also well developed and integrated to the rest of North-America. The five busiest border crossings are located in Ontario and Québec.

Creating a Strategic Space

In order to respond appropriately to international trade growth, the infrastructure must be adapted and the system adjusted. This will be done in a competitive context where all want to benefit from a shifting international economy. It is thus important that Québec and Ontario take position in the face of actual changes in order to create a strategic space for themselves and pursue economic growth.

Already in June 2006 Québec and Ontario agreed to develop the Ontario-Québec trade corridor. This was reiterated in July 2007 when Québec and Ontario signed a Memorandum of Understanding with the Federal government in order to develop the Continental Gateway.

The Canadian Gateways

At the Federal level, this agreement comes from the *National Policy Framework for Strategic Gateways and Trade Corridors* also made public in July 2007. The framework identified three main gateways and corridors.

- The Asia Pacific Gateway and Trade Corridor for which major investments of over \$1 billion have been allocated.
- The Atlantic Gateway for which a collaboration agreement was signed on October 14, 2007 between the Maritime Provinces and the Federal government.
- Then, the Continental Gateway and Ontario-Québec Trade Corridor represents a first choice access for all trade between overseas and the continent's heartland.

The Continental Gateway also plays the role of a central hub for both other gateways since Québec and Ontario represent Canada's most important consumption, production and distribution centres. An important portion of products arriving in Canada transit from the ports of Vancouver and Halifax are destined to the Québec and Ontario markets.

The Memorandum of Understanding

The governments of Canada, Ontario and Québec signed a Memorandum of Understanding on July 30, 2007 to collaborate for the Corridor's economic competitiveness development by building on the geographical location and multimodal transportation system.

The three governments' mandate is to provide a framework for the development of a common Continental Gateway Strategy where all partners, public and private, make sure their interventions are convergent and complementary. This strategy must be released in the fall of 2009 and made in partnership with the public and private sectors. The global objective is to establish the Continental Gateway as a multimodal transport system that is strategic, safe, sustainable and competitive in support of international trade and domestic trade in support of international trade.

To attain this objective, it is important to bring together all major stakeholders around the same table. The governance structure put into place involves stakeholders from the private sector and government representatives. (Figure 1)

Accordingly, beneath the Transport ministers of all three administrations is the Strategic Leadership Committee composed of three Deputy-Ministers and their Strategic Advisors guiding the elaboration of the Strategy.

Two Advisory Committees, one for the private sector and the other for the public sector were created to push forward the reflection. First, the Public Sector Advisory Committee includes representatives from different ministries of the three governments with a linkage to economic development, international relations, municipal affairs, environment, sustainable development and labour. Second, the Private Sector Advisory Committee includes representatives of shippers, network and transportation administrators, the Fédération des Chambres de commerce du Québec, the Ontario Chamber of Commerce, the St. Lawrence-Great Lakes Trade Corridor Council and the Southern Ontario Gateway Council.

Given the importance of our trade relation with the U.S., the governance structure also has a Strategic Advisor specifically for that reason, Mr Michael Kergin, former Canadian ambassador to the United States.

Finally, in support to all these groups we find the Secretariat. The whole illustrates the sought level of collaboration.

Analytical Framework

The required analyses for the elaboration of the Strategy come from 3 different inputs:

- Infrastructure Studies;
- Working Groups on Non-Infrastructure Aspects;
- Stakeholder Contributions.

Infrastructure Studies deal with transportation demand and actual and future infrastructure needs for all transportation modes, as well as for intermodal connections. These studies generated over 200 target consultations allowing the identification of issues, challenges and solutions for the actual multimodal transportation system.

The tripartite studies undertaken are the following:

- National Commodity Trade Flow and Traffic Forecasts
- Economic Benefits of the Continental Gateway
- Multimodal Freight and Passenger Traffic Flows and Infrastructure Study
- Border Infrastructure Study
- GPS Based Studies of Road Network Performance

The study "Assessment of Road Access to Intermodal Terminals and Distribution/Transload Facilities" was divided in two bipartite studies: Québec-Canada and Ontario-Canada.

The Working Groups on Non-Infrastructure Aspects deal with policies, regulations and operations affecting the transportation system's effectiveness and competitiveness. In all, eight themes were identified for which interministerial and intergovernmental workgroups were set up. The groups discussed these subjects to provide a better knowledge of problems and current tendencies on non-infrastructure aspects and to propose inputs for the Strategy.

They are:

- Improving Operations
- Regulatory Issues
- Labour Relations
- Skills Development
- Trade Facilitation and Opportunities in a Global Environment
- Outreach to U.S.
- Border Related Services
- Long-Term Sustainability

Stakeholder contribution is very important since the shippers, carriers, network administrators, planners and local authorities are the ones dealing with problems on a daily basis and they can inform us about these by various means.

Conferences on the global economic tendencies took place in Vancouver, Toronto and Montréal where representatives of the private sector expressed themselves on the general economic tendencies. Moreover, the Montréal and Toronto conferences allowed stakeholders to underscore the main issues in the Ontario-Québec Corridor as well as solutions to settle them.

Studies from the St. Lawrence-Great-Lakes Corridor Council Study, Southern Ontario Gateway Council and the Ontario and Quebec Chambers of Commerce were also major inputs taken into account.

Finally, to allow the greatest number of people to express themselves, we also launched a public call for briefs. Of the 675 invitation letters we sent and of the public call placed on the Continental Gateway website, 34 organizations tabled a brief exposing several issues and solutions. Also, specific meetings with regional and local representatives took place.

All this information allows us to develop investment scenarios in infrastructure including public and private investments along with operational, regulatory and policy measures that will answer needs and be integrated in the environment.

The Communication Plan

In a case such as this one, communications are critical to the initiative's success. The Ontario-Québec Trade Corridor and Continental Gateway will be a success if we manage to truly be in support of international trade and if shippers believe the Continental Gateway is effective and competitive. Consequently we must inform them and make sure they are aware of the Continental Gateway's objectives.

Moreover, we must demonstrate the Canadian multimodal transportation system's effectiveness to local and international investors by concrete actions in order to stimulate investments in Québec and Ontario.

A communication plan will thus be put into place in order to underscore the Continental Gateway's advantages, promote the infrastructure projects that will take place and the regulatory, operational and policy measures that will be implemented.

Strategy Components

The Continental Gateway Strategy is not yet complete but a frame for its elaboration has been tabled. The Strategy will be presented in 5 parts:

- 1) The first chapter will include **context, issues, challenges and opportunities**, thus a diagnosis of the main problems and an identification of our opportunities in a changing global economic environment.
- 2) A **Vision**, brief, articulated and to the point, containing the **fundamental orientations**, matched by concrete objectives.
- 3) Short, medium and long term **Action Plans** will be the most important section. It will cover persons and goods, all modes, in an individual and integrated way, all types of goods.
- 4) Another section will discuss the role of **partners, funding and follow up**.
- 5) Finally, **implementation and accountability** will include follow up and periodic updates.

Context and Challenges

Without revealing the Strategy's precise content, it is possible at this point to present the main issues brought up by stakeholders, as well as the types of challenges they imply. The main issues concern infrastructure (mainly in urban areas), operations, policies and regulations. Table 1, below, shows the list of issues.

Table 1: List of issues brought up by stakeholders

Goods Movements Fluidity
<ul style="list-style-type: none"> - Road congestion in urban areas - Safety and fluidity of rail-road crossings - Effectiveness and security for cross border movements - Rail good and passenger movements using the same infrastructure - Effective use of the St. Lawrence Seaway
Intermodal Connections
<ul style="list-style-type: none"> - Road and rail access to intermodal terminals, logistic hubs, industrial parks and distribution centres - Transload operation effectiveness and flexibility at intermodal terminals, logistic hubs, industrial parks and distribution centres
Regulations
<ul style="list-style-type: none"> - Fees and charges reducing the transportation industry's competitiveness, among others, those associated with navigation on St. Lawrence River and Seaway - Harmonization of transport regulations between provinces and between Canada and the United States - International Air Agreements - Environmental assessment procedures
Others
<ul style="list-style-type: none"> - Short sea shipping - Port and marine facilities safety - Sufficient and skilled labour - Protection of actual transportation corridors (developed or not) - Long-term planning of transportation corridors

These issues have allowed us to identify several challenges regarding the system as pertain to efficiency, integration and capacity, as well as, sustainability, safety and security, and the long-term. These areas of challenge are important since they concern all transportation modes, public and private sectors and different steps of supply chains.

Thus, the issue and the challenges they imply have helped identify our main orientations and the need to focus on integration, optimization, and adaptation to guide us in determining which measures to implement.

- ***Integrated*** – connecting in an efficient and coordinated manner across modes to maximize shipper choice and works with built and natural environments, so the Gateway continues to be a smart and sustainable place in which to do business and a great place to live.
- ***Optimized*** – making the most of existing infrastructure to move goods and people anywhere in the world, quickly, seamlessly, and reliably, while minimizing the impacts on the natural and built environment;
- ***Adaptable*** – responding to changing economic and transportation requirements and to evolving needs of travellers, shippers, transportation companies and supply chains and the well being of future generations.

Conclusion

Over the next weeks, the three governments will work on completing the elaboration of the Strategy, which has well progressed, in order to soon make it public. This communication thus only presents the guiding lines of the initiative as well as the initial reflections as of today. A lot of work will be done shortly to come up with a common Strategy for the three governments, developed in partnership with the public and private sectors.

For more information it is possible to visit the Continental Gateway's website at www.continentalgateway.ca. It is also possible to contact the Continental Gateway team by email at: info@portecontinentale.ca.

Figures

Figure 1: Governance Structure

