

**Ontario-Québec Continental Gateway
and Trade Corridor**

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SUMMARY

The Continental Gateway was established following the signing of a Memorandum of Understanding between the Governments of Canada, Ontario and Québec to develop, in partnership with the private and public sectors, a strategic, secure, sustainable and competitive multimodal transport system to support international trade. The purpose of this presentation is to provide the latest information on the Ontario-Québec Continental Gateway and Trade Corridor planning process and to report some of the interesting findings that came out from the studies, working groups' activities and consultations with our partners on key issues of the transportation system.

The Continental Gateway is part of a comprehensive Canadian planning exercise of gateways and trade corridors. Two other gateways and corridors have been established: Asia-Pacific and Atlantic.

There are three elements that distinguish the Continental Gateway from the other two Canadian gateways:

- It provide direct access to major North American markets with over 135 million consumers in less than 1000 km;
- It is the main economic corridor of Canada supporting \$560 billion of trade, accounting for almost three times the combined exchanges in value of the two other Canadian gateways; and
- The multimodal transportation system is integrated to the rest of North America and includes four modes along the St. Lawrence-Great Lakes Corridor which connect to the Continent heartland.

Although the Ontario-Québec corridor is very efficient and integrated, some of its components could be optimized to improve its competitiveness, as raised by stakeholders in studies, consultations, briefs and Continental Gateway various events :

- Highway congestion and access to intermodal facilities;
- Railway grade crossings;
- Capacity constraints at some ports;
- Harmonization;
- Security.

The Continental Gateway planning process has identified system efficiency, integration, capacity and condition, sustainability as well as security and safety as areas where the three governments can focus their efforts.

1. Introduction

The purpose of this presentation is to provide the latest information on the Ontario–Québec Continental Gateway and Trade Corridor planning process and to report some of the interesting findings that came out from the studies, working groups' activities and consultations with our partners on key issues of the transportation system.

First, it is necessary to present a brief overview of the Continental Gateway in order to identify the objectives of this initiative and to highlight the elements that distinguish the Continental Gateway from the other Canadian gateways. Before discussing these elements in more details, a short retrospective on the analytical framework will help to explain the context in which the results have been obtained.

2. The Continental Gateway context

2.1 What is the Continental Gateway?

In July 2007, the Ontario-Québec Continental Gateway and Trade Corridor initiative was developed following the signing of a Memorandum of Understanding between the Governments of Canada, Ontario and Québec. The objective of this agreement is to work in partnership **to develop the economic competitiveness of the Ontario-Québec corridor by exploiting the advantages of its geographical location and its multimodal transportation system.**

The three governments have worked together to develop a joint strategy involving both public and private stakeholders to ensure convergent and complementary actions.

The overall objective is to develop the Continental Gateway as a strategic, secure, sustainable and competitive multimodal transportation system that will support international trade as well as domestic inputs toward foreign trade.

In order to meet the needs and to have the most complete picture, the three governments agreed to build a partnership approach with private and public sectors representatives in Québec and Ontario, including:

- Three Strategic Advisors from the private sector
 - Claude Robert, Robert Transport
 - Madeleine Paquin, Logistec
 - Patrick R. Sinnott, Canadian Tire.
- About forty representatives of the private sector including shippers and transportation service providers as well as representatives from chambers of commerce, the Corridor Council St. Lawrence-Great Lakes and the Southern Ontario Gateway Council.
- About fifty representatives from the three governments including economic development, international relations, municipal services, environment, sustainable development and labour.

- A strategic advisor specifically for the Canada-United States perspective, Mr Michael Kergin, former Canadian Ambassador to the United States.

2.2 A Canadian planning approach

The Continental Gateway is part of a comprehensive Canadian planning approach of gateways and trade corridors. Two other gateways and trade corridors in Canada have been established: Asia-Pacific and Atlantic.

The Continental Gateway is the one which offers the most efficient link between foreign markets via the Atlantic Ocean and North American continent heartland. It also acts as a transportation hub for the Asia-Pacific and Atlantic Gateways since a significant portion of products transiting through the ports of Vancouver and Halifax are destined to or originated from Québec and Ontario.

3. One of a kind

3.1 A direct access to major North American markets

Québec and Ontario benefit from a strategic location close to major markets in Canada and the United States (Midwest and East Coast). Actually, Québec and Ontario have a direct access to a concentration of more than 135 million consumers, within a radius of 1000 kilometres, which represents less than a day drive. As members of NAFTA (North American Free Trade Agreement), Canada, United States and Mexico together represent an accessible market of 450 million consumers.

The St. Lawrence–Great Lakes System has more than 3700 km of navigable water and provides a direct access to the heart of the continent from the Atlantic Ocean. Access through the St. Lawrence River represents the shortest route between Europe and the U.S. Midwest. A container leaving Northern Europe and connecting through the Port of Montréal will arrive two days and four days earlier in Chicago than if it passes through the ports of New York or Virginia respectively.

3.2 Canada's major trade corridor

Ontario and Québec are well positioned in North America regarding the strength of their economies. Together the economies of Québec and Ontario represent the 4th largest economy in North America after the states of California, Texas and New York.

In Canada, Ontario and Québec contains the most important consumer, production and redistribution centers and represent the economic heart of the country as they:

- Host over 60% of the Canadian population;
- Contribute to more than 60% of the country GDP; and
- Account for more than 75% of the national manufacturing output.

International trade is vital to the economic prosperity of Québec, Ontario and Canada. The following statistics clearly demonstrate the significant participation of Québec and Ontario to the Canadian trade:

- The trade of goods in Ontario and Québec accounts for 70% of those in Canada;
- In 2007, 66% of Canadian international trade with Asia and Europe originated from Ontario and Québec (\$138 billion); and
- In 2007, 70% of Canadian international trade with the United States originated from Ontario and Québec (\$400 billion).

The Ontario-Québec Corridor is Canada's main economic trade corridor, supporting over \$560 billion worth of trade in 2007¹, which represents almost three times the value of the combined exchanges of the Asia-Pacific and Atlantic Gateways (Figure 1).

Québec and Ontario have different trade patterns. In recent years, Québec has seen a greater diversification of its trading partners. Although the U.S. is still by far their largest trading partner, the value of trade with their southern neighbour has been reduced by almost 16% between 2000 and 2007, while trade with the rest of the world (excluding the U.S.) increased by 47% and is continuously growing, meaning a greater utilization of marine mode in the St. Lawrence estuary and gulf.

Ontario has a strong trade relation with the United States, as it accounts for over 75% of its total trade, meaning an extensive utilization of surface transportation (road and rail) as well as border crossings. The automotive industry in Ontario is one of the reasons that explain the strong ties between Ontario and the United States.

Figure 2 demonstrates the different patterns of trade between Québec and Ontario.

3.3 An integrated multimodal transport system

The Continental Gateway multimodal transportation system is efficient and well integrated to the North American system and is characterized by the presence of the four modes of transportation along the corridor.

The road network represents the backbone of this system as it allows linkages with the cities and regions to the rest of the continent. It is well developed and integrated with the rest of North America. A significant number of border crossings are located in Québec and Ontario, including the five busiest in Canada, accounting for nearly two-thirds of cross-border trade by road.

The Toronto (Lester B. Pearson) and Montréal (Pierre-Elliott-Trudeau and Mirabel) airports are key airports for people and freight transportation in Canada. The Toronto-Pearson International Airport is the busiest in Canada with approximately 50% (by value) of international air cargo traffic and 45% of international and transborder (U.S.) total traffic for passengers. The airport infrastructure is used by 71 international carriers and

¹ Including \$21 billion in transit.

offers direct links to 150 destinations around the world. Montréal-Trudeau receives 17% of international traffic and transborder (U.S.) total passengers and is served by 32 international carriers. The Mirabel Airport is specifically dedicated to freight and is favourably positioned among Canadian airports.

Regarding the marine sector, over 250 million tons of cargos are transported each year on the St. Lawrence River–Great Lakes system. The St. Lawrence has many ports constituting as many entry points for trade. The Port of Montréal, open all year round, is the second largest container port in Canada. It handled nearly 1.5 million of twenty foot equivalent containers (TEUs) in 2008 (close to 1.25 million TEUs in 2009). This intermodal terminal is served by two national railways, Canadian National (CN) and Canadian Pacific (CP) and over 25 trucking companies.

The two major Canadian railroads, CN and CP, travel along the Ontario–Québec corridor. These companies are very well integrated with the rest of the North American railway network since they are serving Canada and several regions of the United States. In addition, they have established partnerships with U.S. and Mexican companies enabling them to access to greater number of regions in these two countries.

The intermodal terminals are also a key element to the transport system. The four largest intermodal terminals in Canada are located in Toronto and Montréal.

4. The analytical framework

To analyze the transportation system, the three governments agreed to develop an analytical framework, composed of:

- Studies, mainly addressing issues and solutions related to infrastructure;
- Working groups that addressed regulation, operations and policies that affect the competitiveness of the transport system;
- A contribution of private and public sectors stakeholders; and
- A working group on communications.

4.1 Studies on infrastructure address transportation demand and needs of current and future infrastructures for all modes of transportation and their interconnections. These studies have generated more than 200 consultations to identify issues, challenges and solutions for today's multimodal transportation system. A study was also conducted to evaluate the economic significance and benefits of the Continental Gateway.

4.2 The Working Groups discussed the regulatory, operational and policy issues affecting the efficiency and competitiveness of the transportation system. In all, eight themes were identified and for which interdepartmental and intergovernmental working groups were established to discuss various topics such as regulatory issues, skills development and sustainable development. The group discussions provided a better understanding of the problems and proposed potential solutions. The Continental

Gateway is also the only initiative among Canada's gateways and corridors where these aspects have been analyzed.

4.3 Stakeholders' contribution includes the studies done by the St. Lawrence and Great Lakes Leadership Council, the Southern Ontario Gateway Council and chambers of commerce of Québec and Ontario. In addition, more than 35 organizations and companies responded to the call for brief and submitted their point of view regarding the main issues of the corridor and potential solutions to improve its efficiency. Finally, many stakeholders expressed their views about the Gateway during advisory committee meetings and various conferences organized within the Continental Gateway framework.

4.4 The communication plan which has been implemented since 2007 had the main objective to raise awareness of the Continental Gateway mainly to Canadian stakeholders. The three governments are planning to continue their work to develop an outreach and marketing plan to attract international users to the Continental Gateway system in order to increase trade between the economic heart of North America and overseas markets and to attract investors to settle in Québec and Ontario.

5. Stakeholders' point of view on the transportation system

Although the Ontario-Québec corridor is very efficient and integrated, it is also the busiest in Canada and some components could be optimized to improve its competitiveness.

This section aims to present a set of those components as raised by stakeholders in studies, briefs and Continental Gateway events (Conferences and Advisory Committee Meetings). The Strategy, which will be developed jointly by the three governments, will be drawn on these findings and on "what we heard", The Action plan will accompany the Strategy and outline implementation activities.

5.1 Highway congestion² and access to intermodal terminals

Traffic congestion is an important barrier to the movement of freight. In the Greater Montréal Area, some stretches of highways are congested for several hours each day, especially the Metropolitan (40) and Décarie (15) highways. The bridges to the island of Montréal are frequently congested as well. The completion of Highway 30 south of Montréal should partially relieve the highway network on Montréal Island. To a lesser extent, there is also congestion in the Québec City region.

In Ontario, the two main areas where there is congestion are around the Greater Toronto Hamilton Area, especially on Highway 401 and Queen Elizabeth Way (QEW) and at the Windsor-Detroit border crossing. For the latter, Canada and Ontario are currently working with the U.S. to develop a second bridge known as "DRIC", the Detroit River International Crossing, which will improve the flow of international trade transiting at the Windsor border crossing.

² Congestion levels are not based on stakeholders' point of view, but were calculated.

Most of the major ports, airports and intermodal facilities in Ontario and Québec are located in Toronto and Montréal areas. Their growth has resulted in a high concentration of truck traffic on the local roads accessing the facilities and together with an increase in automobile traffic, has affected their accessibility.

In addition, access roads to these intermodal facilities may also have some deficiencies such as:

- Deficient road design (number and width of lanes, curvature radius, etc.);
- The presence of a railway grade crossing nearby;
- Indirect access with required detour; or
- Infrastructure in poor condition.

5.2 Rail network and railway grade crossings

No bottleneck has been identified on the rail network in Ontario and Québec, except CP's Windsor Tunnel which has not the required clearance to accommodate double stack 9'6" containers. However, some sections in Toronto and Montréal areas are operating at or close to capacity. Most of these sections are also used by passenger trains (VIA or Commuters trains), which reduces the available capacity for freight trains with a greater proportion than the simple ratio number of cargo/passenger trains. This cohabitation of the network becomes more complex with local marshalling needs and access to intermodal terminals that are in development. Rail companies indicated that the capacity is adequate on these lines for freight operations, but there's no capacity for extra passenger traffic.

Both CN and CP identified a certain number of grade crossings they would like to be grade separated because it affects switching operations and line capacity. Those are mainly located in the Montréal-Toronto corridor, some of them close to intermodal facilities.

For short lines (regional railways), the main problem is the infrastructure conditions. These companies often have limited financial capacities to maintain their infrastructures in good condition. They must often reduce the quality of service (e.g. reduce speed) to be able to operate safely.

5.3 Capacity constraint at some ports

Some St. Lawrence ports (Montréal, Québec, Sept-Îles and Trois-Rivières) have identified capacity constraints that do not allow them to operate optimally. Areas for operations use and storage are usually inadequate. Moreover, some of the docks for these ports are no longer appropriate to accommodate the new generation of ships that are much larger. These problems seriously limit the competitiveness of these ports in comparison to U.S. ports.

Ontario Ports trade largely with ports of the Great Lake States. There are no major capacity issues for Ontario Ports. However, aging infrastructure is a concern.

5.4 Sufficient air mode capacity

There are no major capacity issues for airports in Ontario and Québec at this time. However, many stakeholders are concerned about the split of activities in Montréal between Trudeau and Mirabel airports. It seems to be an impediment to development of air freight operations in Montréal.

In spite of that, Continental Gateway airports offer credible service but work is required to nurture this in an effort to become more relevant to the marketplace, in particular, the United States. Actually, up to 41% of international air cargo in the Gateway is trucked to U.S. airports for forward shipments.

Work continues with air industry stakeholders to identify some key areas for improvement to help the Canada's air cargo industry to grow.

5.5 Regulatory, policy and operational issues

Several policy, administrative, regulatory and operational issues can also reduce the efficiency of the transportation system. Stakeholders have identified many issues that are being considered.

As examples, we can mention the following issues that affect the system's competitiveness

- Administrative processes related to the collection of Fees that reduce the competitiveness of the transportation industry, in particular related to navigation on the St. Lawrence river and the Seaway;
 - Harmonization of regulations on transport between provinces and between Canada and the United States (e.g. single wide tires, weight restrictions, long combination vehicles, etc.);
 - Administrative burden related to environmental assessments.
- Other important issues to consider were also highlighted:
 - The development of short sea shipping;
 - Requirements and delays at the borders;
 - Rail, ports and marine facilities security;
 - Skilled and sufficient workforce
 - Protection and long term planning of transportation corridors.

6. Areas to advance the development of the Continental Gateway

The Continental Gateway and Trade Corridor planning process has allowed us to identify our main orientations and to concentrate our efforts on integration, optimization and adaptability of the transportation system. To do so, the three governments have agreed to intervene in the prioritized following areas:

- 1- The efficiency of the transportation system, allowing businesses to remain competitive;

- 2- The integration of the four modes to improve interconnections and maintain fluidity of goods movement;
- 3- The infrastructure condition and capacity to meet current and future needs;
- 4- The sustainable development;
- 5- The security and safety of the system, while making sure not to be impeding the movement of goods.

Actions on both infrastructure projects and regulatory, operational or policy measures will enable the multimodal transportation system to adapt to the changing future demands.

7. Conclusion

The activities undertaken as part of the Ontario-Québec Continental Gateway and Trade Corridor initiative have provided a good picture of the issues that affect the efficiency of the transportation system. Some possible solutions are already being considered to address these issues and to improve the system integration. Working in partnership will help to develop coherent solutions that will meet the needs of the transportation system users by reducing costs, creating jobs and increasing the collective wealth.

Figures

Figure 1 - Trade supported by the three Canadian Gateways

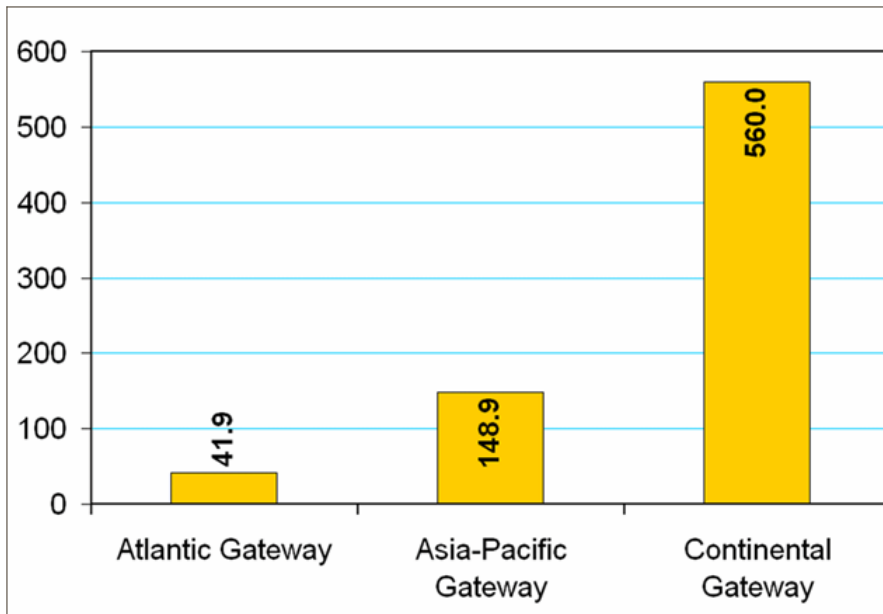


Figure 2 - Total trade by province (2007)

