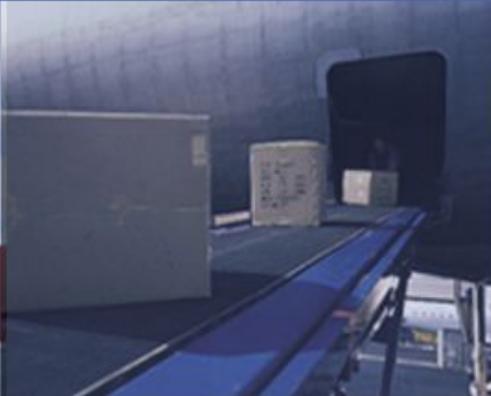




# The Changing Global Economy: The Implications and Opportunities for Transportation in Atlantic Canada



**Atlantic Provinces  
Transportation Forum**

**St. John's, NL  
May 30, 2007**



**David Chaundy,  
Senior Economist, APEC**

# Presentation Outline



- **Atlantic Canada's Transportation System: A Focus on Newfoundland & Labrador**
- **The East Coast-Suez Option: Global Trade and Shipping Developments**
- **Opportunities for an Atlantic Gateway**
- **Economic Benefits of a Gateway**
- **Competitive Challenges and Key Issues in Developing an Atlantic Gateway**
- **Conclusion**

# Atlantic Canada's Trade & Transportation Patterns (2003 volumes)



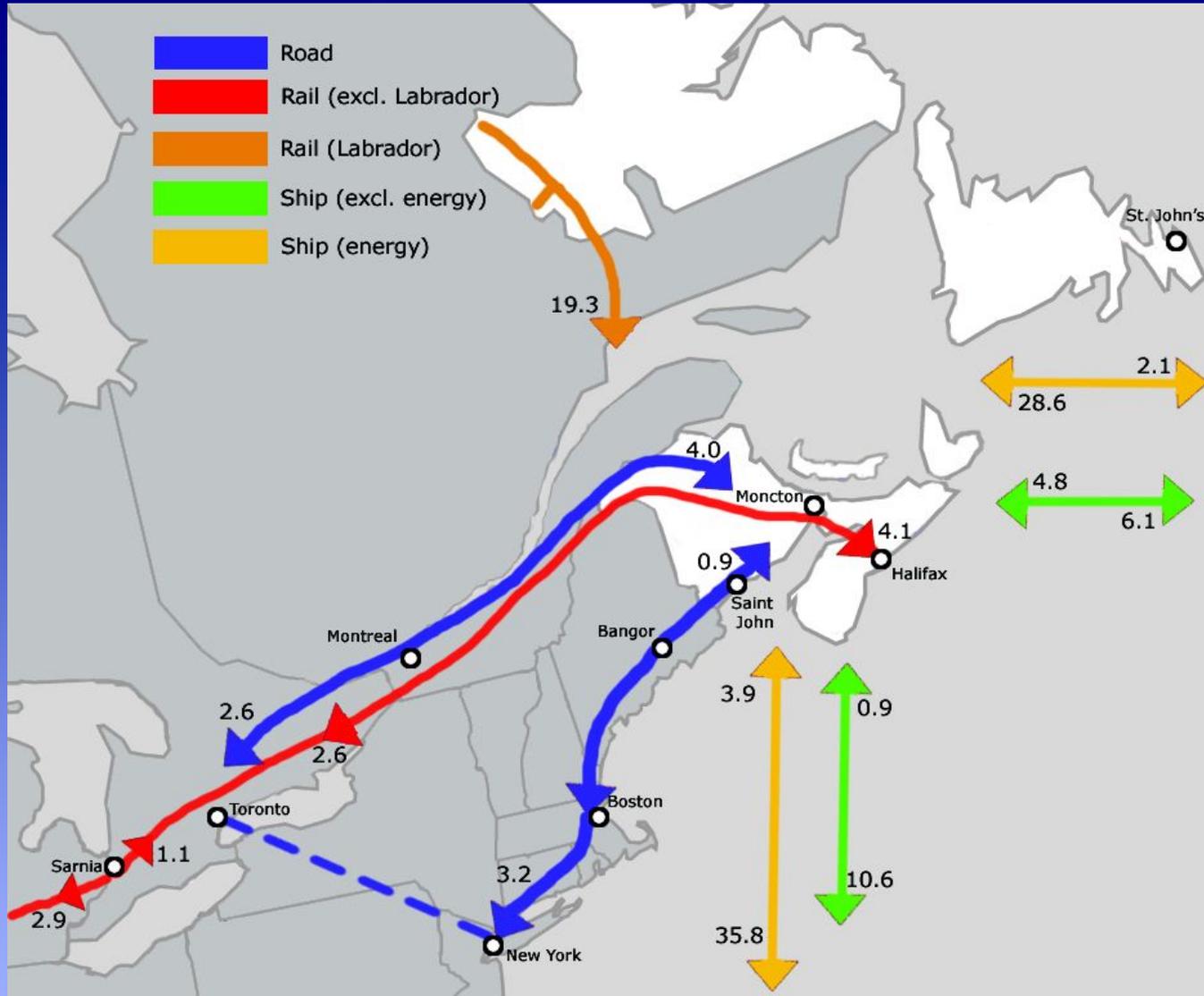
## Key Features

- Complex pattern of flows
- Air cargo: tiny but important for future growth?
- Iron ore (Lab→QC) = 77% of rail tonnage from Atlantic
- Energy products = 80% of marine shipments

## Origin/Destination

- Within Atl region: Trucking dominates non-energy flows
- Interprovincial: 93% to/from ON/QC (mainly road/rail)
- US trade = multimodal (mainly marine for NL)
- International = marine
- Flows uneven: greater flows to U.S. and from ON/QC

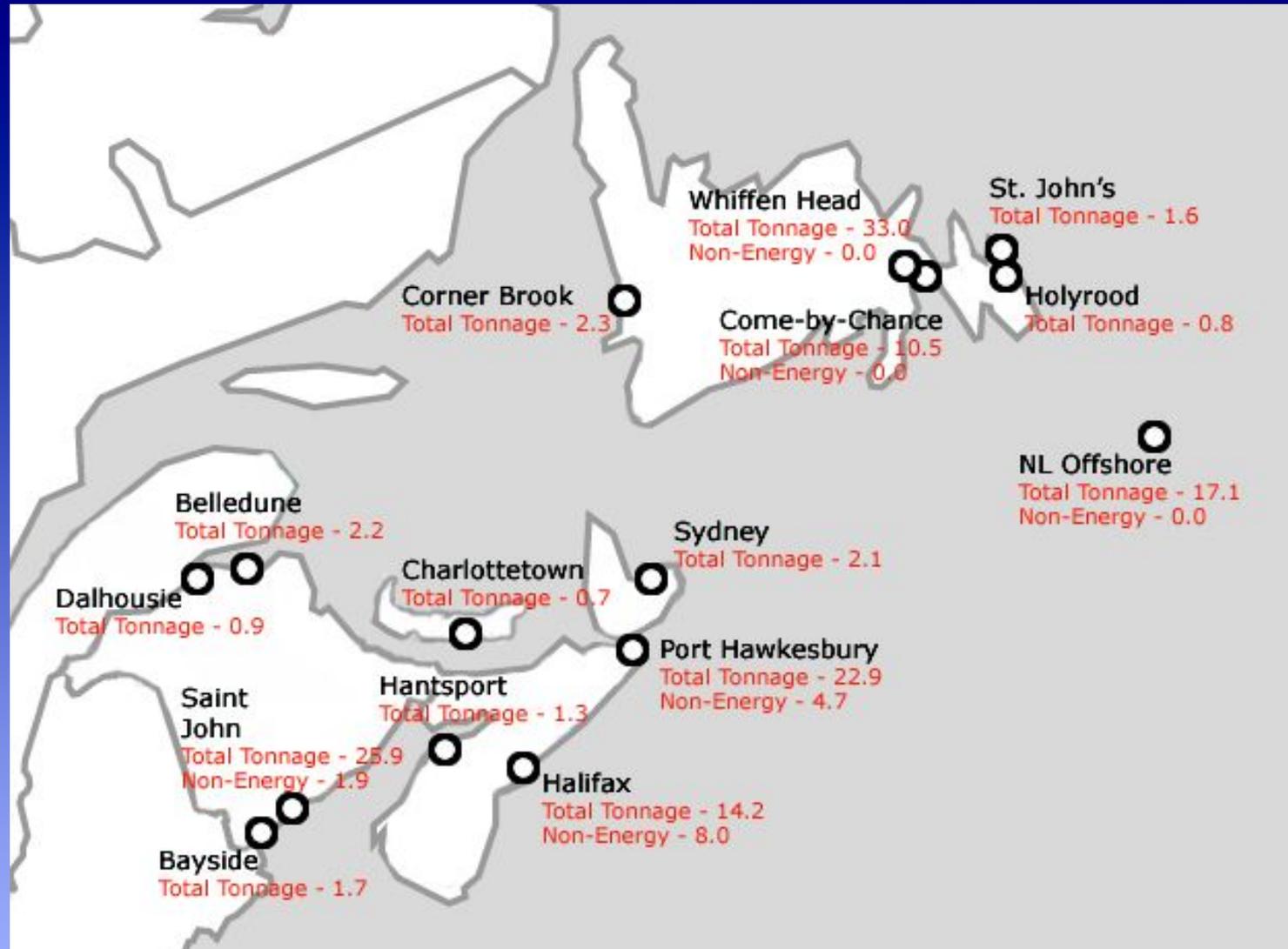
# Atlantic Canada's Transportation System: A Schematic Overview



*Note: All flows are to and from the Atlantic region, not to a specific province. Volumes are indicated in millions of tonnes, 2003.*

Source: Statistics Canada, APEC.

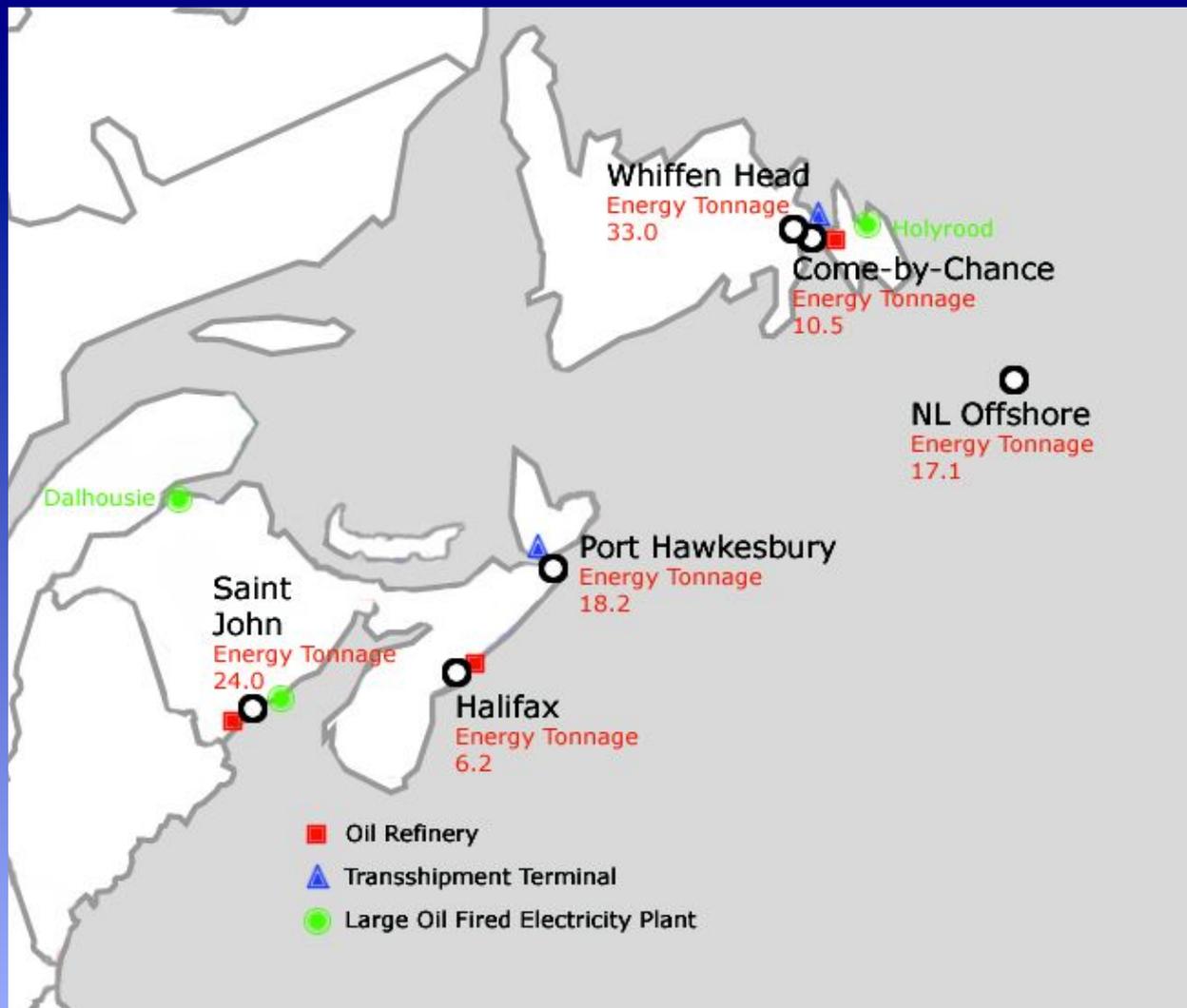
# Largest Commercial Ports in the Province Dominated by Energy Flows



Note: Tonnage loaded and unloaded by port, 2003 (million tonnes)

Source: Statistics Canada

# Significant Marine Trade in Energy Products in Newfoundland



Note: Tonnage loaded and unloaded by port, 2003 (million tonnes)

Source: Statistics Canada

# Transportation System Vital for Regional Economic Competitiveness



**TOP101 firms:** 35% manufactures & 25% exporters reported that the region's transportation system was having a large or very large negative impact on their business

**Foreign firms:** Rated transportation system less favourably than other jurisdictions in which they operate

**Economic efficiency** – low density (reliance on few providers/users)

**Regulation** – impede efficiency and service viability

**Border/security** – compliance costs; adequacy of infrastructure/systems

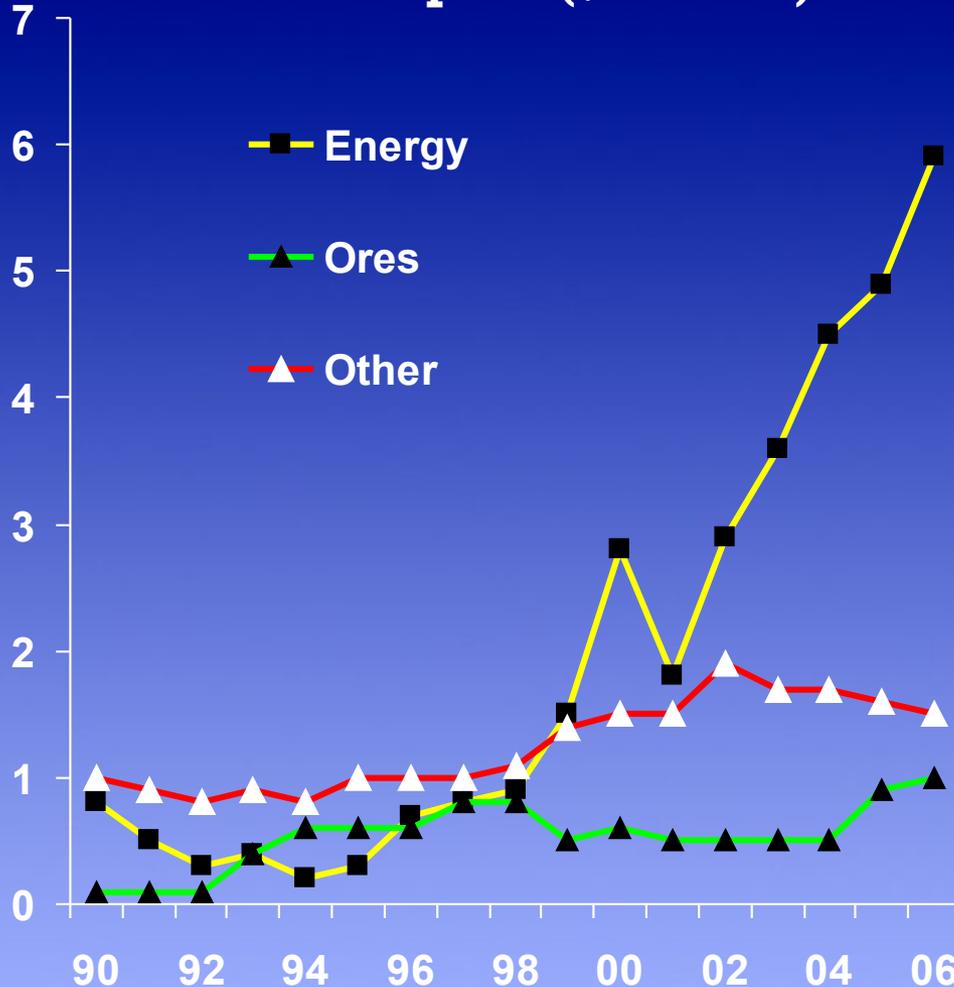
**Financing** – cost-shared infrastructure; port governance/finance

**Labour supply** – acute pressures in trucking and marine industries

# Dollar and Other Competitive Pressures Taking Toll on Non-Energy Exports



Newfoundland & Labrador's international merchandise exports (\$ billions)



## Pressures Affecting Atlantic Exporters

- Canadian dollar up 40%+ since 2003
- Higher energy & transportation costs
- Low cost competitors
- Security compliance & border delays
- Weak demand (e.g., newsprint)

Source: Strategis Trade Data Online/Statistics Canada/APEC

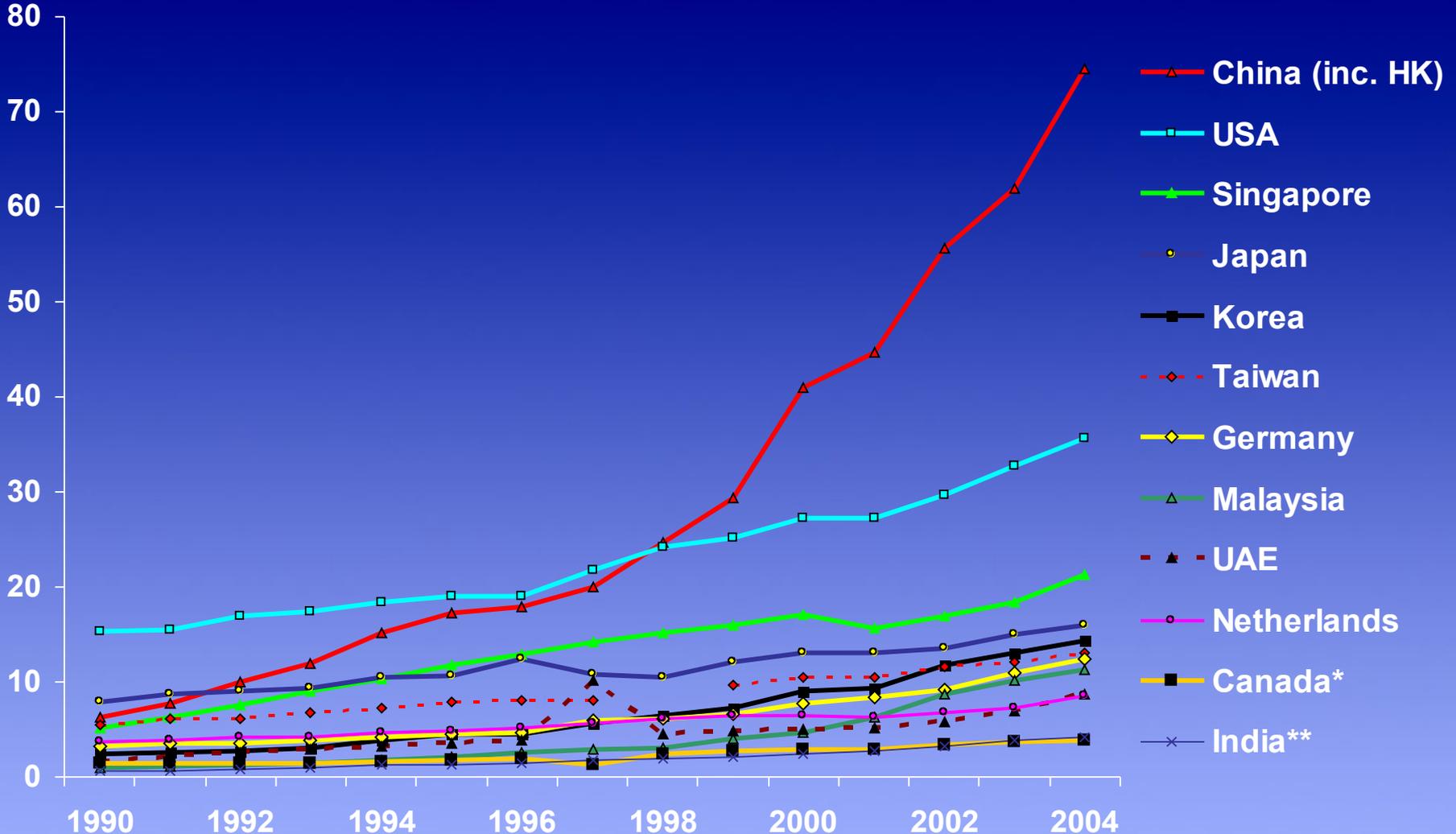
# **A Changing Global Economy Affects Atlantic Trade and Transportation**



- **Rapid growth in Newfoundland exports of primary products to fast-growing Asian markets**
- **Exchange rate, energy and transportation costs, low-cost competition affecting region's competitiveness**
- **Decreased demand will affect cost and availability of transportation services**
- **Which Atlantic sectors will grow most rapidly in the next decade? Which markets will they focus on?**
- **Adoption of global supply chain management will require better transportation to bring in supplies and to ensure rapid delivery to market**

# Global Trade Shifts: China Storms to the Top of the Global Container League

## Top Ten Countries for Container Movements (million TEUs)

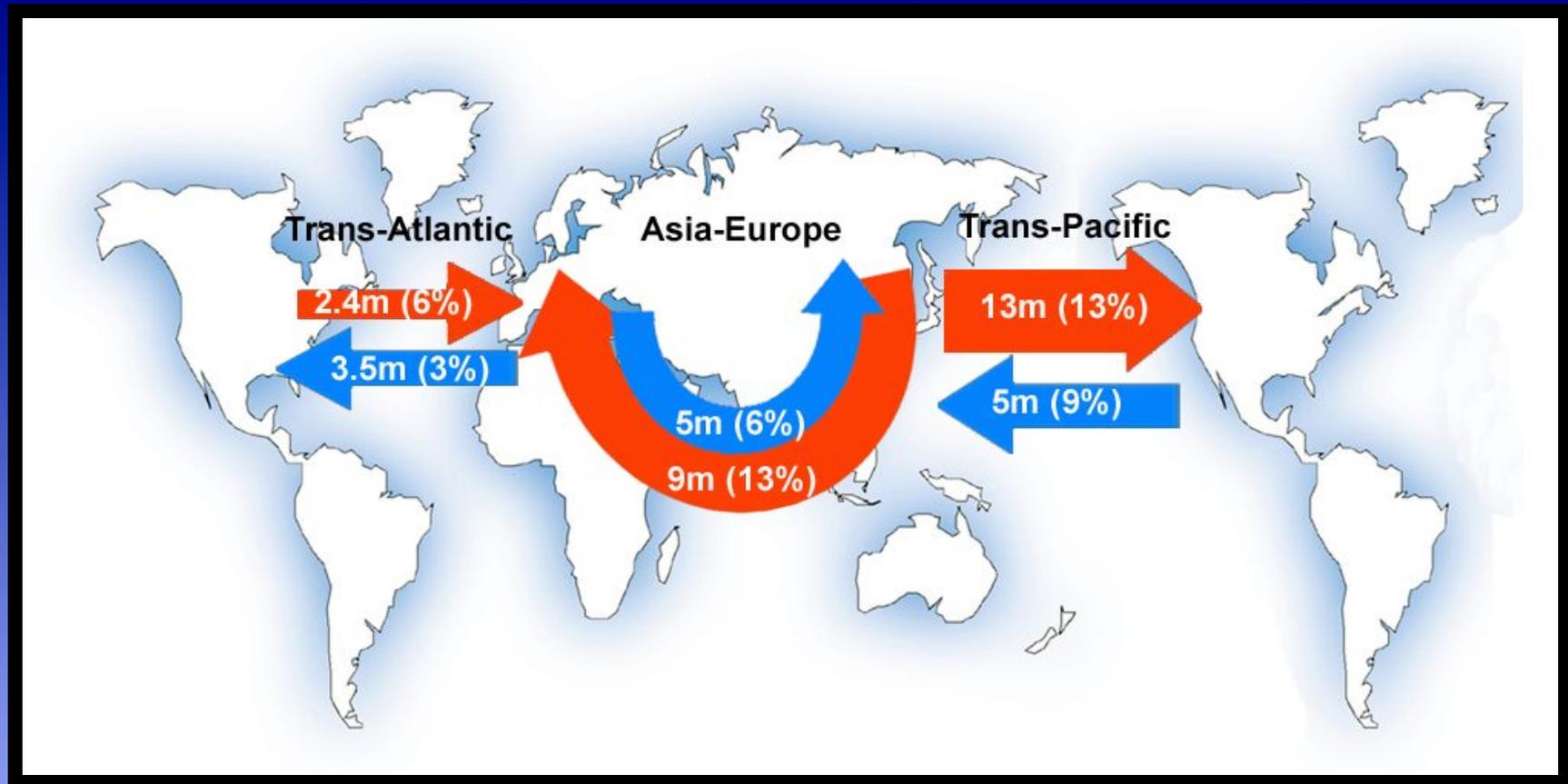


\* Canada ranks 20<sup>th</sup> \*\* India ranks 18<sup>th</sup>

Source: Containerisation International Yearbook

# Asian Trade Routes Are Growing Rapidly

## Major Global Container Trade Routes by Volume (Growth rate), 2005



Note: Chart shows container traffic (in million TEUs) and growth rate (%) in 2005.

Other major trades include intra-Asia (32 million TEUs), other intra-regional (13 million TEUs) and North (North America, Europe, Asia)-South (Latin America, Africa, Australasia) trade (20 million TEUs).

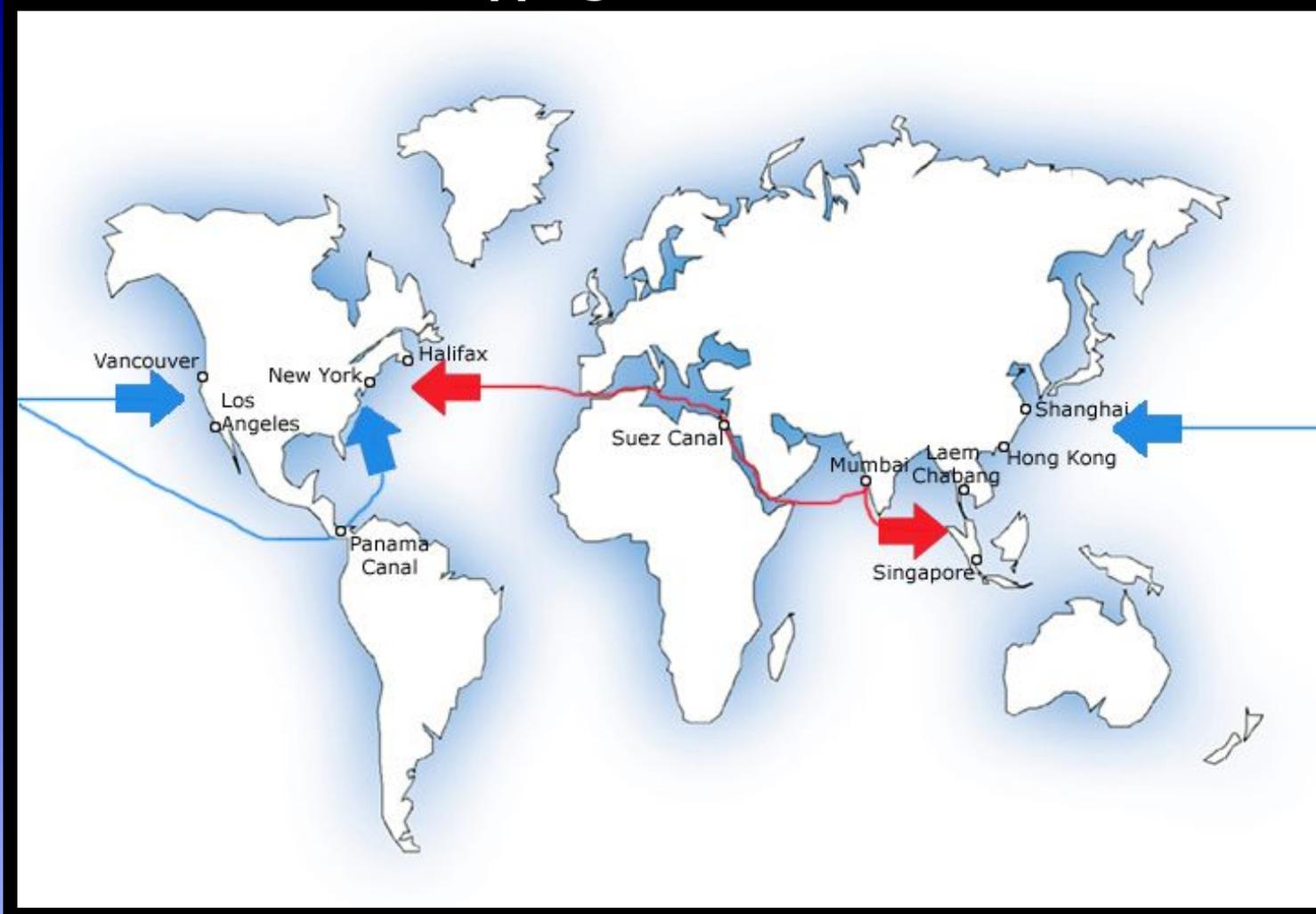
# Potential For East Coast Ports to Play Greater Role via the Suez Canal



- Rapid growth in Asia-North America trade – driven by imports of manufactured goods from low-cost countries (e.g., China) as firms develop global supply chains
- Potential shifts of manufacturing activity within Asia – may favour increased shipments from countries such as Malaysia, Vietnam and Thailand
- Larger, post-Panamax vessels are being deployed
- Congestion at West Coast ports is prompting diversification by shippers
- Congestion and ship size constraints at Panama Canal favour development of Suez route

# The Suez Option: A Window of Opportunity for East Coast Ports?

Suez/Panama Pendulum Shipping Routes Between Asia & North America



Note: Some shipping lines operate round-the-world services that travel from Asia to West Coast ports, on to East Coast ports via Panama, across the Atlantic to Europe, and ten back to Asia via Suez.

# Opportunities for an Atlantic Gateway



- Major opportunity to be a North American gateway, particularly for imports from Asia
  - Atlantic Canadian market not large enough to influence port of call choices (cf. New York)
  - Closest East Coast ports to Europe and Asia via Suez

Transit Time (via Suez) Between Selected Ports (days:hours)			
	Mujmbai (India)	Laem Chabang (Thailand)	Singapore
Halifax	14:13	19:20	18:06
New York-New Jersey	15:01	20:18	19:05
Norfolk	15:18	21:01	19:12
Savannah	16:09	21:16	20:02

*Note:* Times based on 22 nautical miles per hour

*Source:* World Ports Distances Calculator

# Opportunities for an Atlantic Gateway



- Major opportunity to be a North American gateway, particularly for imports from Asia
  - Atlantic Canadian market not large enough to influence port of call choices (cf. New York)
  - Closest East Coast ports to Europe and Asia via Suez
  - Transit time advantages over Norfolk & Savannah for markets in central Canada and U.S. Midwest
- Gateway for European-North American trade
- Potential for increased transshipment and short-sea shipping

# **Economic Benefits of Atlantic Gateway: Atlantic Canada, Canada and U.S.**

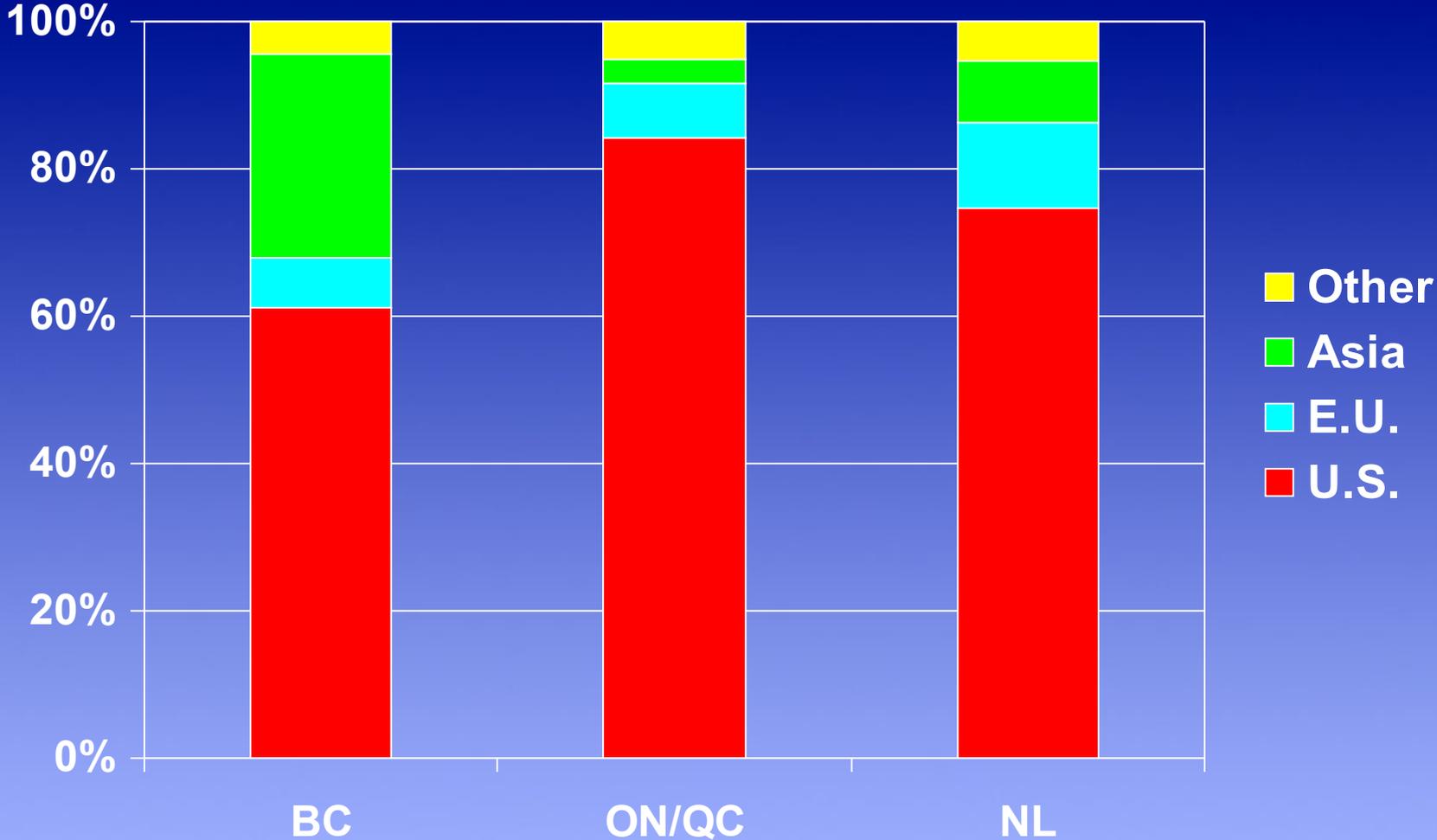


- **Increased incomes & tax revenues at major Atlantic container ports – spillover to other Atlantic ports?**
- **Opportunities for regional trucking & related services (e.g., transload, logistics)**
- **Improved transportation infrastructure and services to support an expanded Atlantic gateway would benefit broad range of businesses in the region**
- **Improved access to markets (in Europe & Asia) for Atlantic, central Canadian and U.S. exporters and importers**
- **Provide Canadian and U.S. importers with greater options to help manage risk in their supply chain**

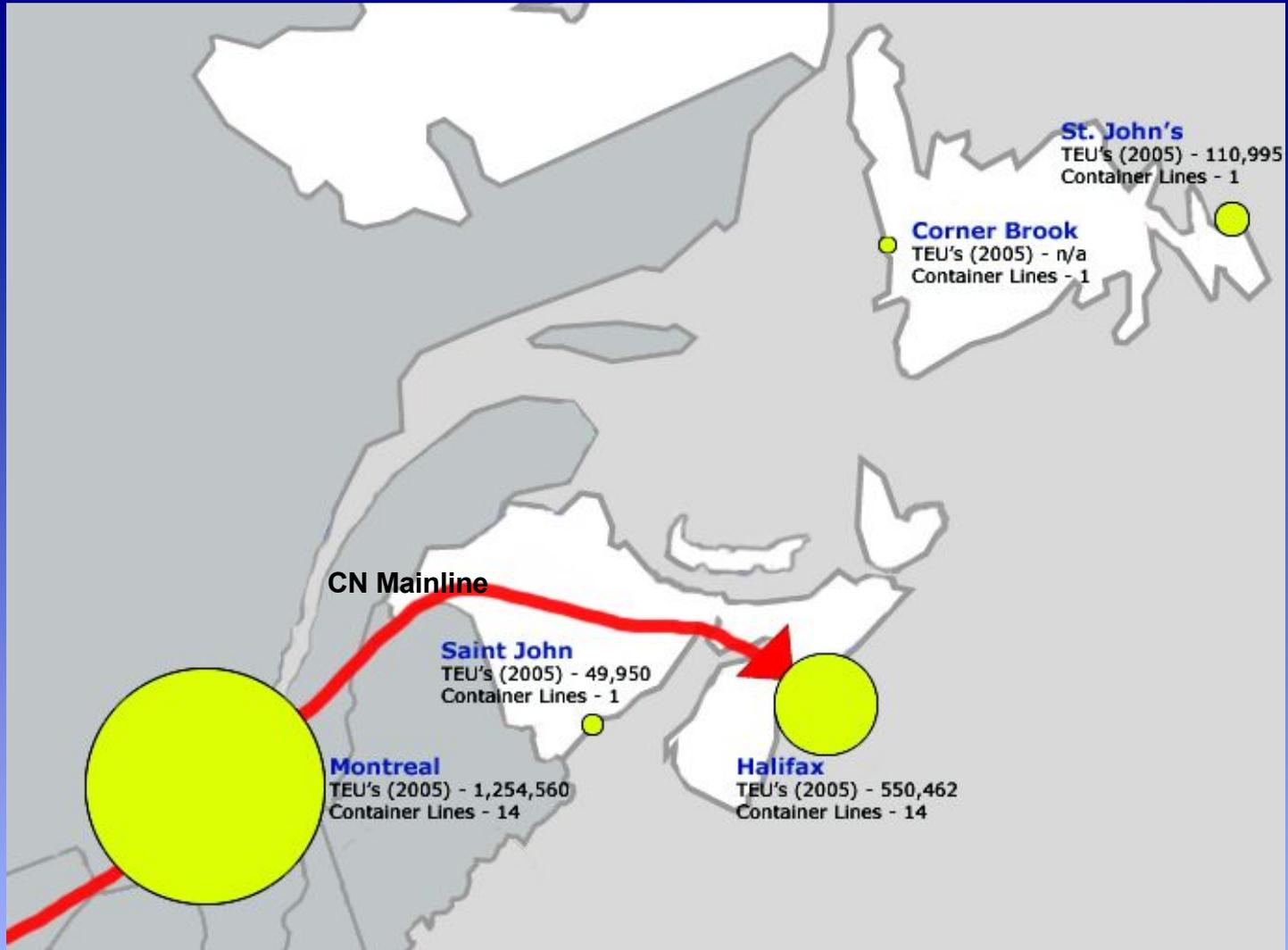
# European and Asian Markets Important for Newfoundland and Labrador



International Markets for Provincial Merchandise Exports, 2006



# Halifax Currently Best Positioned Canadian East Coast Container Port ...



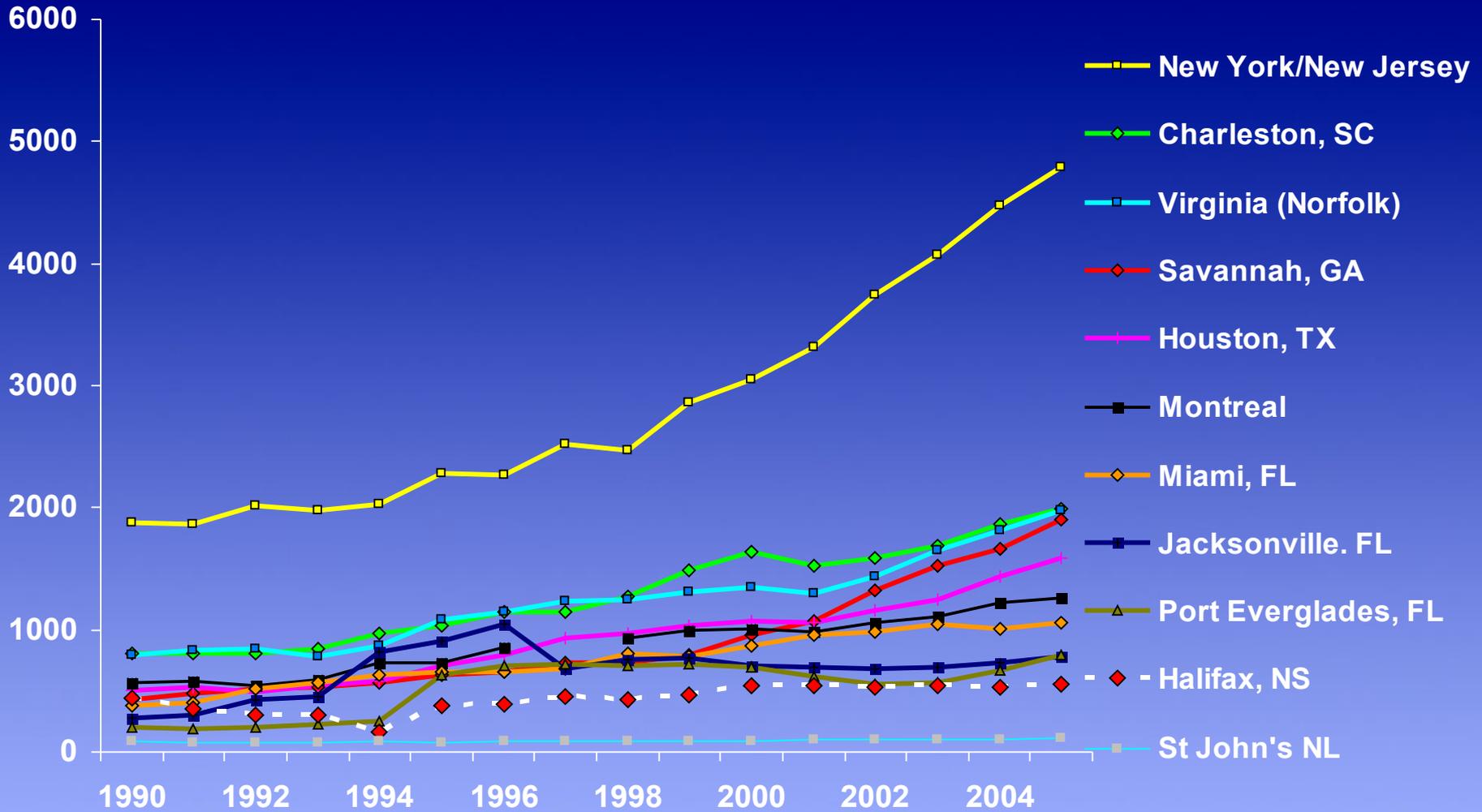
# **... But Intense Competition at North American Container Ports for Increased Asian Trade**

- **Expansion of Panama Canal (complete by 2013/14?)**
- **Investments at West Coast ports in Canada (Prince Rupert, Vancouver-Delta port)**
- **Improvements at U.S. West Coast ports**
- **Investments at Mexican ports (Lázaro Cárdenas)**
- **Investments at U.S. Gulf ports (Houston)**
- **Investments at U.S. East Coast ports (Savannah, Norfolk, New York-New Jersey)**

# Can Atlantic Canada Move Up the Container League Table?



Top North American East Coast Container Ports (thousand TEUS)



Source: Containerisation International Yearbook

# **Developing the Atlantic Gateway: Issues for Regional Stakeholders**



**Atlantic region lacks a large local market:**

- **Strong connections to inland markets are absolutely vital**
- **Port efficiency also crucial: invest to boost productivity**

**Intense competitive pressures require urgent action**

- **Need market Atlantic gateway outside the region**
- **Remove regulatory barriers (e.g., port governance)**
- **Ensure sufficient port capacity – can change quickly**
- **Work together – common vision, coordinated action**

# Conclusion



- **The Atlantic Gateway for container shipments presents a real opportunity of strategic regional and national importance**
- **However, success is not guaranteed: our competitors are moving quickly to strengthen their respective positions**
- **Requires focus and sense of urgency to move forward**
- **From a regional perspective, must not neglect other important transportation priorities (e.g., highways, border/security, transportation regulations, short-sea shipping)**



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**APEC's gateway report and  
related Commentary available  
on our website at:**

**[www.apec-econ.ca](http://www.apec-econ.ca)**

