

**Memorial University  
The Leslie Harris Centre of Regional Policy and Development**

**Newfoundland and Labrador and the Atlantic Gateway:  
Why Canada's Shipping Policy Needs to Change**

**Spencer Hall Boardroom, Memorial University  
July 3, 2007**

**Summary of the Discussion**

The Harris Centre held a follow-up meeting to the Atlantic Provinces Transportation Forum held on May 30<sup>th</sup>, 2007. This meeting, "Newfoundland and the Atlantic Gateway: Why Canada's Shipping Policy Needs to Change", held on July 3, 2007, allowed for discussion on how Newfoundland and Labrador could and should participate in an Atlantic Gateway. The presentation was delivered by Professor Richard Hodgson of the Marine Affairs Program of Dalhousie University. The main topic of the discussion was the viability of a transshipment port on the south coast of Newfoundland. Such a port would allow large ships coming from Europe or from Asia (through the Suez Canal) to drop off cargo here, which would then be transported by smaller vessels along the eastern US coast or up the St. Lawrence River. While this can maximize economies of scale across the Atlantic, it is important to remember that every concept looked at will be handicapped by cabotage legislation. A copy of Professor Hodgson's presentation can be found on the Harris Centre's website, by clicking [here](#). This initiated a robust discussion amongst meeting participants.

A major concern identified was Newfoundland's ability to compete with Halifax. Some mentioned that as long as Halifax was a working port, there would be no need for Newfoundland's involvement. Along these lines, another participant noted that Newfoundland may only become a viable option once Halifax becomes backlogged. Only when the port of Halifax and the highways and railways leading out of the city become overloaded will there be potential for Newfoundland to step in and pick up the slack. Many agreed that competition with Halifax is a major obstacle for Newfoundland but, at the same time, doing nothing about it is not an option. There is a need for investigation into how NL could participate in a gateway. Questions such as 'Why would anyone do this with the current regime in place?', 'What will make it a viable option?', and 'What can we do to see this happen?', are all questions the participants wanted answered.

Another concern was whether an additional port or hub would be needed in addition to Halifax. Is it really feasible to think that, instead of large vessels from overseas coming into Halifax, they would stop in Newfoundland? When compared to Halifax, Newfoundland has everything except the land connection to Central Canada, so is Newfoundland's participation really needed? Wouldn't Newfoundland's participation simply be to add an additional transfer to the system, one which would not be necessary from Halifax? While this would indeed be the case, it is believed that the pattern of ship operation Newfoundland could offer other economic, operating, and commercial benefits that the Halifax option doesn't offer. For example, it might still be less expensive to transfer cargo from a post-Panamax vessel to a smaller one in Newfoundland<sup>1</sup> and then sail the smaller vessel to Montreal than it would be to unload the post-Panamax vessel in Halifax and then ship it by road or rail to Montreal. Only a full-fledged feasibility study could answer this question.

Another reason why the lack of road or rail connection might not be a problem for Newfoundland is that it is highly unlikely that large 15,000-unit vessels would unload all their cargo in one Canadian port, expecting to carry on to markets by rail or road. One reason for this is increased fuel prices, which are a bigger cost per ton for trains and trucks.

Another problem mentioned is that of skilled and knowledgeable workers. In Canada, expertise in operating large ports and sophisticated logistics systems is contracted to such a point that there is not an appreciation for what is needed. Compared to Europe, the expertise in Canada is just not there. Canada's ports can't expand because people with the requisite expertise aren't available. The big issue from a Canadian perspective is attracting qualified immigrants. There is also a need for education and training for Canadians.

There were some suggestions on how to encourage Newfoundland and Labrador's participation in an Atlantic Gateway. One is to have more manufacturing in the province; this would alleviate the "back-haul" problem faced by shippers<sup>2</sup>. A further suggestion is to look at the fundamental policy position in Europe and learn from that. Europe allows more relaxed movement between international

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<sup>1</sup> Moving a container off and on ship = \$300

<sup>2</sup> 85% of cargo containers go back empty to Montreal from Newfoundland and Labrador.

and domestic shipping. Holland uses a tonnage tax approach. Norway has a rule that 50% of the crew must be domestic workers, the rest can be foreigners. In the UK, they do not differentiate whether containers are moving internationally or domestically. It was mentioned that while it may be advantageous to look at Europe as an example, not every issue in Europe is sorted out. The UK does not have a perfect system but they do not want to go back to the old regime. A participant agreed, saying that Newfoundland would be better off if the Canadian shipping policy was changed. The tariff barriers are hurting Newfoundland and we need to look at alternative options.

Another suggestion arose in response to the discussion on subsidies. Newfoundland had what was described as an 'invisible railway', i.e., the marine ferry route. Because this route is subsidized, it places large inflexibility on route selection for shipping. What should be subsidized are the shippers instead of the route. If the intent is to get cargo to a certain destination, it shouldn't matter which route is taken, just as long as the cargo gets there on time. Following from the mention of railroads, some participants feel that Newfoundland does not fill the criteria for an efficient hub since the province is not connected by rail. On the other hand, one participant feels that Newfoundland's lack of railways is not a large disadvantage since the rising costs of fuel are making marine shipping a more attractive form of transportation, rather than road or rail.

A marine shipping operator at the meeting stated that the regulatory regime is what generates most of the costs, not the duty; the duty represents only 5% of total costs. He also stated that the cost of the ship is the least expensive part of the process, even if we include the 25% tariff on an imported vessel.

As we envision an Atlantic Gateway, it is not Halifax, Montreal or the ports on the Eastern Seaboard of the US that we need to concern ourselves with, but rather Chicago. That city is far away from any east coast port to be "neutral" as to which ports feed it. The analysis of costs should consider Chicago as the end destination.

While many differing ideas were brought up and debated, the main consensus was that more work needs to go into investigation and feasibility studies to see how Newfoundland fits into the gateway picture and whether this is a good idea to move ahead with. In order to do this, Newfoundland and Labrador needs to come forward and look for support, partnerships, and funding. While the federal

government has poured money into the gateway project, no one knows whether any of that money has come to Newfoundland and Labrador. There is concern that too much focus has been put on Halifax, that the 'Atlantic' gateway is becoming the 'Halifax' gateway. This can be changed with Newfoundland and Labrador's participation, and with a disciplined analysis to justify whether the province can play a role or not. The major message is the need to change federal policy and duty, in addition to Transport Canada regulations.

Meaghan Eibner, July 10, 2007