

Supply Chains in Saskatchewan: Decades Late and \$B Short

Asia Pacific Workshop

Regina

21 February 2007



Clifton Associates Ltd.

engineering science technology

The view of a biased (and fully involved) long-term observer



Clifton Associates Ltd.

engineering science technology

Establishing the Corridors

- **Blame it on the HBC**
- **Established the west-east to Europe through Montreal corridor**
 - ✍ **Cumberland House (1774), a stop on the earliest TCH.**
 - ✍ **The southern plains were irrelevant**
 - ✍ **1870: sale of Ruperts Land**
 - ✍ **1883: CPR in SK**
- **The corridor persisted for ~100 years**



Opening up the Land

- Building municipal roads
 - ✍ Family experiences
- Bridging major rivers (DPW until 1932)
- Establishing early supply chain
 - ✍ Dirt roads, dry weather only
 - ✍ Snow bound; community effort needed for winter egress
- >50% GDP was agriculture : most important corridor was farm – nearest town, rail to east



Getting Out of the Mud

- Municipal Road Improvement (Grid Road) program (1955) introduced engineered rural road system
 - ✍ Provided mobility
 - Improved wealth creation opportunities
 - Enhanced mobility hastened urbanization and consolidation
- Started as shared cost program; progressively downloaded to municipalities
- Extended supply corridor beyond nearest town



Rationalized The Provincial System

- Expanded road investment in 1960's relocated major corridors and established primary network
 - ✍ Based on optimized capital and road user costs
 - ✍ Continued investment in upgrading TCH and Yellowhead systems
 - ✍ Initiated urban assistance programs to upgrade urban infrastructure
- Improved operating speeds, safety improvements and reliability
 - ✍ The vestiges of a true intra-provincial corridors



Pushing North to Resources

- Roads to Resources
 - ✍ Uranium City Road
- Rabbit Lake Tote Road
- Key Lake Road
 - ✍ The beginning of industry paying for infrastructure
- Forestry
- Oil Sands Opportunities



40 Years of Shifting Trade Focus

- Growing importance of N-S and Pacific Rim
- Vastly diversified trade



Provincial Overview

- Assumed responsibility for most highway construction and operations in 1932, but no sustained investment strategy

Indifference?

- With a notable (1960's) exception, SK has been indifferent to role of transport in economy

Neglect?

- Rudimentary network with focus on minimizing capital cost; and, therefore, transfers costs to road users



The Federal Role

- TCH Act (1949) truly visionary
 - ✍ \$150 M to build first transcontinental hwy
 - Ahead of US program
 - ✍ Declared completed 1962; actually finished in 1972 at cost >\$1 B
- Rail and freight rate rationalization monumental achievements
 - ✍ Set stage for needed future investments
- **Completely invisible on regional (surface) Transportation policy**
 - ✍ Tend to sponsor “projects”, not sustainable policy directions that promote growth and investment



Current Status

- System investment has been mined over last 3 decades as public focus shifted to social programs
 - ✍ Insufficient investment to maintain assets; living off system depreciation
 - ✍ TCH moved from freeway to “stop & go” system
 - ✍ 6 traffic lights in Regina alone in last decade
- Local and provincial governments unwilling to invest in absence of senior government leadership
 - ✍ Progressive deterioration of systems in a policy vacuum
- Supply Corridors lack capacity and flexibility to support industrialization currently taking place



Who is Paying for Minimum Capital Strategy and lack of Policy Direction??

- Every road user
- Consumers
- Society due to:
 - ✍ Lost opportunity when enterprises are asked to contribute to infrastructure as part of investments
 - ✍ Loss of competitive advantage
 - ✍ Progressive emptying out of under-serviced rural areas
 - ✍ Investment attracted to other jurisdictions



So – Where to From Here???



Clifton Associates Ltd.

engineering science technology

Canada is Most Successful Exporting Nation in G8

- SK ranks 2nd among provinces
 - ✍ Exports (2004) = 69.5% of GDP
 - ✍ ~70 cents of every \$ in circulation in SK comes from exports
 - ✍ ~ 300K SK jobs depend on exports



And The(2004) Leading Sectors Are??

- Minerals – 17.5% of GDP
- Services – 15 %
- Manufacturing - 11.5%
- Agriculture - 9.3%
- The resource based exports are dominant, reinforcing importance of efficient surface transport



Where are our Markets??

- **> 60% to US, mainly to Plains and Great Lakes States**
 - ✍ **Hampered by direct N-S linkage**
- **Pacific Rim**
- **EU**
- **Truly a universal N-S, E-W trade pattern**
- **The historic W-E system that spawned the current system is now the minor function**



Successful Western Societies Depend upon Transportation to Fuel Their Economies

- The ability to transport
 - ✍ Capital
 - ✍ Information
 - ✍ Goods
 - ✍ People

Is essential to our economic well being!!

- How do we stack up??



A Simple Value Proposition

Efficient transportation = Industry

= Wealth Creation

= Exports = **Jobs**

TRANSPORTATION = JOBS



A Simple Value Proposition (cont'd)

TRANSPORTATION = JOBS

= PROSPERITY



A Time of Change and A Time of Great Opportunity

- An “industrial revolution” is underway
 - ✍ Mechanization, adoption of technology
 - In all sectors
 - ✍ Energy self-sufficiency in US, clean energy in Canada
 - ✍ Environmental sustainability
 - ✍ Agricultural revolution
 - From 50K to 15K farm units, aided by technology
 - ILO’s, sustainability, conception to consumption tracking, food safety
 - Bio-fuels, new crops, new processes
 - ✍ Export and competitiveness focus
- **Exciting times on the Prairies**



SK is an Incredibly Wealthy Province

- **On threshold of becoming a very rich province**
- **Great natural and institutional resources**
- **Massive unrealized potential**
- **Great opportunities for technology to influence future in all sectors**
- **To realize on these opportunities, the transportation constraints must be addressed**



Summary

- We are blessed with resources that will endure for decades to come

 **But the opportunities may be fleeting**

- The quality of our elected and professional leadership will determine, in large part, the degree to which we, and the generations that follow, are successful
- **The time for informed vision and resolute action**

Is

NOW!!!

