

Workshop on Canada's Role in Gateways and Corridors

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A North American
Transportation
Infrastructure
Strategy

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 - Canadian Perspective on National & N.A. Transport Policy Needs



Early History: US Transportation remained primarily a private & state-local responsibility

- Steamship: no govt support
- Railroads: after start-up (local capital & regs), private only

Canada emphasized the Public Support Model for Transport Infrastructure

- Fish & Ship-Building, Atlantic focus
- Furs & Grain, Arctic focus
- Colony of Britain until 1867, CA had only 1/50th of US tax base then
- Western Expansion:
 - US: People before Rail;
 - CA: Rail before People (& the Goods to finance it)
- Ottawa decisions & \$
 - essential precursor for western dev't & growth



US Exceptions:

- Transcontinental Railroads, 1860s
 - Alaska Highway, WWII
 - Interstate Highway System, 1960s.
- (National Security)

What about US support of Marine Infrastructure?
e.g. US Army Core of Engineers:
Erie Canal,
Ohio, Mississippi &
Missouri River systems ?



Part I. Looking back...

- Transportation infrastructure in the US: historically a private sector & local rather than national government responsibility
- National security reasons have produced exceptions, but not a fundamental change in this pattern

Canada's Historic Transport Policy, 1. 1867 – 1899 = federal nation-building

- Immigration Promotion:
 - Homestead Act, 1870
 - Dom Research Farms, 1870s
- Security
 - Manitoba > Riel, 1870
 - British Columbia > US PNW
 - NW Mounted Police, 1873
- Cdn Pacific Rail Act, 1876 -1885
- Crowsnest Pass Freight Rates, 1896-97
- Sinaluta Case, 1898



US Transportation Infrastructure Strategy: Not a new idea, always a hard sell

In 1808, Albert Gallatin (Jefferson's Secretary of the Treasury) proposes a National Road. A few years later, John Calhoun's cry: "Let us bind the republic together with a perfect system of roads and canals. Let us conquer space."



CA's National Transport Policy

2. 1900 – 62 = public investment; regulation; protectionism

- Canada Grain Act, 1911
- Crow Agreement, w BC, 1896 -1925
- Canadian National RRs Act, 1919-22
- Statutory Grain Rates Act, 1925 – 1983 (T.Bay & Vancouver, extended to Victoria-'22, Prince Rupert-'28, Churchill-'31
- CN-CP Act, 1931 – 69, “no BLX”
- CWB Act, 1935-voluntary, '43 monopoly
- Seaway & Trans-CA Highway Networks, 1950's; mainly Federal \$\$

Canada's National Transport Policy swings right

3. 1962-83: "deregulation; pro-carrier"

- Macpherson Commission → NTA 1967 ... = "pro-carrier; rail dereg., & duopoly pricing endorsed"
- Lang → Hall, Snavely, PRAC:
 - Branch line rehab. & dereg.
 - Expansion of port facilities at Vancouver & Rupert, 1978-82
- Grain Transport Authority, 1979
- Statutory Grain Act → Western Grain Transport Act, 1983, Pepin
 - incentive freight rates, 1987 → handling, transport rationaliz'n
 - → railway mainline investment

4. 1983 -2007: "deregulation"

- CA Ports Act, 1983 → local autonomy; Churchill privatized
- NTA, 1987 Maz: "freedom to choose; pro-shipper, pro-truck"
 - reduced rail powers, f.o.a., x.i.s., c.l.r., confidential contracts
 - short line railways
 - class I RRs refocus
- CTA, 1996 Young: "pro-carrier"
- CUSTA & NAFTA , 1988-96
 - Rail: east-west infrastructure consolidated, B.L.s → SL RRs
 - north-south flows accelerate
 - N-S infrastructure inadequate

Part II: From East-West to North-South

- A North American economy
- From branch plants to North American divisions in the 1980s
- NAFTA a response to developments already underway in the North American economy

NTA –'87, CUSTA & NAFTA

1988-96 ...+

→ Canadian east-west rail infrastructure consolidated

→ North→South flows accelerate; e.g.grains

→ N-S infrastructure - -
Taxed? - yes;

Inadequate? Rail?- no.

Truck-Road ?- yes.



Intense post-NAFTA growth

- Volumes increase but so does deep, structural integration – complex cross-border supply chains
- Not trading partners – rather creation of an integrated North American prod'n, supply and distribution system
- Bottom up growth, driven by markets, deregulation and corporate strategies
- Same, more slowly
- Same, more slowly
- Same, more slowly



NAFTA and Transportation

- Focus mainly on regulatory harmonization
- Key failures to build more liberal regime
- Continuing issue in US of Mexican trucking
- No vision or design for a North American transportation infrastructure
- Canadian Rail regulatory regime was harmonized early, account success of US Staggers Act, 1980. Result → NTA, 1987
 - line consolidation
 - B.L abandonments
 - shifts: S.L. and I-Modal
- Trucks? – cabotage w US; VWD inter-provincial
- Corridors to → US congested



NAFTA Working Groups

- **Land Transportation Standards Sub-Committee:** make more compatible the Parties' relevant standards-related measures on bus, truck and rail operations, and transportation of dangerous goods
- LTSS created working groups on Driver and Vehicles Standards, Vehicle Weights & Dimensions, Traffic Control Devices, Rail Safety and Dangerous Goods/Hazardous Materials Transportation



Initial 5-Year Plan: *Increased Cooperation in North American Transportation Technologies*

“..create & maintain a ‘knowledge base’ on transport R&D in each nation; increase contacts between the 3 transportation R&D communities; identify gaps in existing transportation technology & R&D activities where successful efforts would bring benefits to all 3 nations; develop collaborative research proposals that could successfully fill these gaps...”

- Rail: American AAR; Rail Assoc’ of Canada
- Truck: check with CTA, Warren Smith
- Marine: Seaway Authorities collaboration



Impact of NAFTA, Working Groups

- Limited impact – did not create vision, work stayed under radar screen
- Focus on regulatory harmonization; little attention to infrastructure
- No NAFTA vehicle for id'ing problems as they arise nor for suggesting possible solutions

How to address such shortcomings?

- Vision

- Harmonization

- Issue ID & resolution



Part III. North-South Corridors

Growing awareness of impact of increased North-South movement of goods on transportation & border infrastructure & on competitive environment for cities & communities along the trade routes

How to address issues?

- For CA, international trade & transport are a Federal jurisdiction
- So are rail transport, and border clearance
- Trucks & highways are shared jurisdiction
- Competition among Cities wishing to be on Corridor (5 in SK)



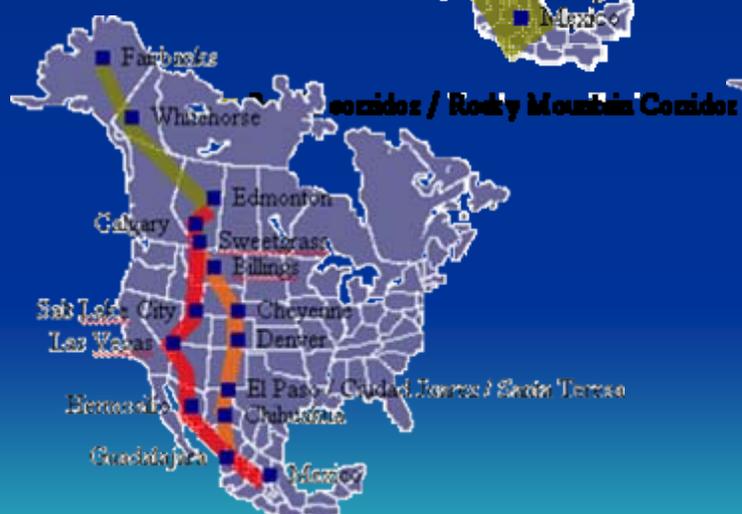
Trade Corridors

- For dozens of cities, municipalities & firms, there is money to be made here. Being on a N-S channel means the opportunity to create new businesses that facilitate the flow, access a whole new realm of opportunities for services, cooperative ventures, trade expansion **AGREED**
- Trade corridors driven by entrepreneurs, transport users & providers, urban leaders & local governments
- Sometimes, interesting private-public partnerships emerge



North American Trade Corridors

(don't forget China to Chicago via CA!)



- Camino Real
- Canamex
- Alaska Highway
- NAFTA Corridor
- Plains/Prairies corridor



US Federal response to highway infrastructure needs: legislation in the 1990s

- Washington did seek to respond to new N-S trade flows:
- Intermodal Surface Transportation Efficiency Act (ISTEA) aimed at alleviating bottlenecks along highways & at border crossings
- Create new North American “Super Corridors”

DRIVERS

- Political: NAFTA -driven
 - Fort Erie – Buffalo
 - Windsor – Detroit
 - Sarnia – Port Huron
- Security: 9-11 -driven
 - Fort Frances – Rainy R.
 - Emerson -
 - N. Portal - Portal
 - Coutts – Sweetgrass
 - Kingsway; Sumas, BC
- Trade: Asia Pacific –driven
 - Lower Mainland, BC
 - Banff National Park



Impact of Highway Legislation

- Congress rapidly increased no. of designated high priority corridors in subsequent legislation
- Highway funds were a pot into which Congressional etiquette encouraged everyone to dip fingers
- Any sense of a coherent continental – or national – plan evaporated in rush of demands by states, local communities & business associations for funds to build particular interests

Lessons for CA

- How many Corridors?
- How many projects in Lower Mainland?
- Decision-making criteria
 - market, logistics-based?
 - squeaky wheel-based?
 - bricks & mortar vs smart ports?

Impact of Highway Legislation, II

What this story reveals, no surprise, is how difficult (outright impossible?) it is to build a rational, continental highway system from the bottom up

Organizing this process as a competition among Congressional districts for highway funds will not produce a rational blueprint for a continental system.

Lessons for Canada?



Railroad developments

- Consolidation, elimination of excess capacity
- Improved efficiency
- But how much longer-term planning?

Canadian Experience similarly successful

- CN 38000 → 22,000
- CP 28000 → 17,000
- Ottawa Valley
- Lower Mainland
- Co-production
- 98 → 130 car trains
- Double-stack cars



Part IV. A changing environment

- 9-11 and borders
- Asian trade and gateways
- Erosion of existing transportation & border infrastructure
- ditto
- ditto
- ditto



Part V. Looking Forward

Transportation infrastructure a growing concern:

UPS CEO Mike Eskew:

“What’s shocking, quite frankly, is the inability of our transport infrastructure to keep up with the normal day--to-day stresses imposed upon it... Our hiways, waterways, railroads & aviation network are simply not keeping up with ordinary demands.”

Canadian Examples

- Quebec City – Windsor corridor
- Fort Erie – Buffalo
- ON Hiways 401 & 427
- Lower Mainland, BC



“Because the ability to compete & thrive in the emerging global economy now depends on the strengths of a nation’s freight system, this dynamic situation generates one crucial question: Can U.S. infrastructure handle the volumes & adequately extract economic value from goods movement? The congestion & delays in the U.S. freight system in 2004 would indicate that U.S. freight infrastructure is in crisis despite massive investment in certain elements” (Brookings Institution, 2006)



SPP and NACC

Lessons for Canada?

- Limited focus on transport
- SPP called for efforts to improve safety & efficiency of N.A.'s transport system by expanding market access, facilitating multi-modal corridors, reducing congestion, alleviating bottlenecks at the border that inhibit growth & threaten our quality of life.
- Main focus on regulatory harmonization – no big picture or vision
- Few concrete recommendations

Erosion of North American transportation infrastructure

A “perfect storm”?

Three forces are working together to erode the quality of the system and with it the competitive advantage the transportation system provides.

Forces of Erosion

1. Aging infrastructure, traffic mgt systems
2. Weak governance model re Infrastructure upgrades (local, national, N.A.)
3. Public policy & regulatory barriers



Elements of a North American Transport Strategy

- A transport strategy must rest on a clear vision of a continental, multi-modal transportation system that will meet N.A.'s transportation, logistics & supply chain requirements over decades.
- Transport systems can no longer be thought of primarily in national terms.
- Transport systems cannot be viewed as separate silos – rail, road, water & air.
- Implementation is a critical element of a transportation strategy.

Canadian View?

- concurrence
- implementation
- financing
 - Feds
 - Provinces
 - Shippers
 - Carriers
 - PPP



North American Transportation Infrastructure Competitiveness Research Council

- Impact of transportation infrastructure on N.A. competitiveness
- Build on existing foundation of transport research by various institutions & government agencies
- Produce policy-oriented materials
- Build new constituencies

Canadian pieces

- Feds
- Provinces
- Shippers, e.g. CME
- Carriers, RAC; Ports
- Research: CTRF, UMTI, Van Horne, OWEC, WESTAC, consultants
- Greater Vancouver Roundtable

Other Considerations - 1

- Can Canadian exports be received efficiently in China & India?
 - India: 1000km hauls by truck, not rail; cannot unload containers at port-side
- Balance or Bias in Modal Policy?
 - Payment for infrastructure
 - Diesel fuel tax
 - Feeder Lines: shortline RRs generate 25% of rail freight, & save municipal /provincial roads & budgets
 - Don't forget Adam Smith !
 - Kyoto-equivalent responses:
 - Marine – short sea shipping (Port of Oshawa)
 - Rail – AB's QE2 Corridor

Other Considerations - 2

- Timeliness of Decision-Making?
 - China is forcing the Agenda
 - Draw stakeholders together
 - ID research needs, data for measuring successes, failures
 - Education by shippers, carriers, professionals, of municipalities, media, & general public
 - 30 -

