

## 59. Investing in Canada's Trade Infrastructure and Corridors

### Issue

Canada's trade corridors connect centres of production to markets and help Canadian businesses get their products and services to and from global markets. These corridors are commonly identified as the Asia-Pacific corridor linking Canada to the growing economies of Asia, the continental corridor into the heartland of the U.S., Canada's largest trading partner and the Atlantic corridor that links Canada to Europe.

At a time when the international trade landscape is shifting and competitors are making improvements in their trade infrastructure, Canada should commit to investing more in trade infrastructure and re-establishing a strategic focus on upgrading strategic trade corridors.

### Background

Exports and imports account for 60% of Canada's GDP. Our prosperity and quality of life rely on the capacity and fluidity of our trade infrastructure: the roads, ports, waterways, railways, airports and pipelines that move Canadian products, services and people through trade corridors to trading partner markets.

The Canadian Chamber of Commerce and others in industry, government, and policy have all weighed in on the economic imperative to invest in Canada's trade infrastructure. While calls for more investment are not new, there are short, medium and long-term pressures that are creating an increased urgency for action to improve Canada's trade infrastructure.

### *Competitive Environment*

Canada's competitors are upgrading their trade infrastructure, facilitating the ability of their exporters to compete on speed to market and end-to-end costs, among other factors. The World Economic Forum's Competitiveness Index shows that, over the last decade, Canada's infrastructure ranking has fallen from a rank in the top 10 to its current position as the 23<sup>rd</sup>-ranked country in the world. Real and perceived views of Canada's trade infrastructure impact our competitiveness as a supplier within global supply chains.

### *New Trade Agreements*

Agreements such as the Comprehensive Economic and Trade Agreement (CETA) and the Trans-Pacific Partnership (TPP) present a significant opportunity for Canadian businesses. TPP also means that Canadian firms that currently enjoy access to the U.S. and Mexico through the North American Free Trade Agreement (NAFTA) must now anticipate nine new players with the same access to those markets. Our trade corridors will need to move goods and services quickly, reliably and at lower costs if Canada is to remain competitive in the U.S. market and take advantage of new opportunities in overseas markets.

### *Future Demands*

Urgency also stems from the opportunities that will result from expansion of the global middle class. The number of these consumers is projected to grow from 1.8 billion today to 5 billion by 2030 – representing an unprecedented, long-term growth in demand and changes in consumption patterns. Through the next several decades, demand for domestic freight transportation is projected to increase significantly based on this new global demand for Canadian products and services. A 2015 CPCS Transcom study prepared for the Canadian Transportation Act Review Secretariat forecasts an overall growth in commodity flows of six key Canadian bulk commodities by approximately four times 2013 volumes by 2045. Because of the long-lead times for major infrastructure projects, investment and policy decisions that Canada makes today will impact our ability to capitalize on these opportunities in the future.

The urgency for upgrading our trade infrastructure is a theme of the report of the 2015 Canadian Transportation Act (CTA) Review which found that, “Expanding existing trade and transport corridors and enhancing the efficiency and reliability of the current system should be a top priority in the short to medium term. In the longer term, the focus should be on creating new trade and transport corridors that feature high-speed, high-volume systems to support international trade activities.”

### *Moving Forward*

The federal government has promised to make significant new infrastructure investments of \$60 billion over the next 10 years focused on green, social and transit infrastructure (\$20 billion each). Some of these investments will improve trade competitiveness; for example, transit infrastructure will help reduce urban congestion which impacts the time it takes for goods to travel through Canadian cities. However, because trade infrastructure is tied so directly to our standard of living, funding for trade infrastructure – both physical and technological – should be a prominent feature of the government’s long-term plan.

The government has a template to build off of from previous federal efforts to improve the efficiency of our trade corridors. The Asia-Pacific Gateway and Corridor Initiative (APGCI) was a set of investment and policy measures focused on facilitating global supply chains between Canada and Asia through strategic transportation infrastructure projects to reduce bottlenecks and improving trade flows in and out of Canada’s west coast. The federal investment of \$1.4B in the APCGI leveraged with provincial, municipal, and private sector to fund \$3.5B worth of projects. According to Transport Canada these investments had a spinoff effect in private investments exceeding \$14B dollars. The report of the Canadian Transportation Act Review found that, “the gateway approach of linking trade and transportation together in an integrated, multi-modal and public-private strategy was widely recognized as a Canadian best practice.”

Another key feature of the APGCI was the role of collaborative federal-provincial-private sector research in determining what problems existed where in supply chains to facilitate evidence-based investment decisions. Industry owns much of the critical intelligence on emerging trends, market demands and business impacts that can inform how and where to locate key infrastructure assets and government must find ways to institutionalize collaboration with industry and take better advantage of this information.

All modes of transportation will require continuous transformation and integration to support the reliable movement of Canada’s trade. Improvements in the capacity and efficiency of Canada’s ports, waterways, railways, roadways and airports will remain central to our ability to meet global market demands and generate economic growth. The private sector is making investments and decisions to improve the velocity of Canadian supply chains every day. There is a need for the federal government to use its role as a ‘convener’ to better harness and help coordinate its own efforts with other levels of government and the private sector to make targeted, evidence-based improvements in Canada’s trade corridors.

### **Recommendations**

That the federal government:

1. Make trade-enabling infrastructure a national priority in the long-term federal plan by reallocating existing infrastructure funding from the existing \$60B Building Canada Plan so that trade-enabling infrastructure is funded at a level commensurate with the other new federal priorities of green, social and transit infrastructure. Investments should target projects with the greatest long-term economic benefit through merit based criteria and be accompanied by regular progress reporting.
2. Establish a trade corridor investment strategy based on lessons learned from the Gateways and Corridors Initiatives that will coordinate investments from all levels of government and the private sector. The strategy should be supported by permanent, dedicated multi-departmental project teams.
3. Establish a mechanism to work with other levels of government and the private sector to share critical data and analysis to inform, using an evidence-based approach, trade corridor and infrastructure priorities.

4. As recommended by the Canadian Transportation Act review, in partnership with industry, develop a new transportation policy framework that includes inter-modal and sector specific strategies, investment plans and infrastructure project pipelines that will provide federal leadership on the evolution of our transportation system over the next 20-30 years.