

Manitoba and the Asia Pacific Gateway: Interests and Perspectives

Solarium Room, York the Hotel, Winnipeg -- September 27, 2006

The Convening began with presentations by Yuen Pau Woo and John Higginbotham, introducing the importance of and the vision for an Asia Pacific Gateway in Canada. Mr. Woo shared key results from a recent Asia Pacific Foundation national opinion poll which reveal a high level of optimism regarding the economic growth and development of Asia. John Higginbotham introduced the national vision of an Asia Pacific Gateway for Canada, and the need to react to Asia's rise by realigning Canadian priorities and business models, and revamping the nation's transport infrastructure to produce more seamless and efficient supply chains and movement of goods.

Participants each then explained how the Asia Pacific Gateway is relevant to them. It became clear that Asia offers significant opportunities to Manitoba in terms of imports, exports, investment and partnerships. A successful Asia Pacific Gateway is seen as critical to Manitoba's provincial transportation sector and Mid-Continent Corridor strategy.

The following questions were posed:

- How will the Asia Pacific Gateway affect Manitoba?
- What are the main concerns of shippers and freight forwarders in Manitoba?
- When will the Asia Pacific Gateway truly 'open'?
- How can Manitoba businesses adapt to global economic changes?

Transport Infrastructure and Supply Chain Management

It was agreed that there is huge potential for increased trade between Manitoba and Asia, especially in containerized goods. However, delegates said several obstacles need to be addressed. For instance, there has been increasingly serious congestion across Canada's transportation systems for several years. Five to six years ago, it took 4-5 days for goods to arrive in Winnipeg from Vancouver. Today, it takes 10-12 days. The majority of this congestion problem is with Canada's West Coast ports, and is perceived to be a human resource problem exacerbated by poor railway management and labour problems in B.C.

According to shippers, the two national railways are considered to be the source of the congestion problem, according to the delegates. From the inability to get containers off the tracks to the reservation system, shippers see the railways, rather than industry, as increasingly dictating when and where containers can be moved. Physical infrastructure is not seen to be the problem: rather, it is railway management of this infrastructure. Although trucking strikes are still a concern, the truckers are not seen to be the problem as they themselves face a backlog in receiving cargo.

The railways are not seen to be adapting to increased container traffic nor to be managing empty containers or container movement satisfactorily. Paperwork is also increasingly backlogged. It is feared that the opening of the Prince Rupert container port will likely cause even more congestion as Canadian National Railways will have a

monopoly on the route. Halifax is not yet seen as a viable alternative gateway as its Asia routes are just beginning, and the port is already becoming congested due to problems similar to those faced on the West Coast.

There is also an imbalance in transportation equipment. Most imports arrive in 40-foot containers, while most exports are in bulk and need to leave in 20-foot containers. An adjustment in pricing could remedy this imbalance. There is also high demand for refrigerated containers but the railways do not move these inland. Currently, refrigerated containers are trucked to Vancouver at high cost and with an additional five-to-six day delay. The regulatory environment for shippers is another concern. The need to provide Advance Commercial Information 48 hours ahead of shipment was seen to add to the time and costs of shipping. Road infrastructure is not a great problem, although the road from Winnipeg to the US border is said to need improvement.

While congestion in Canada is a problem, the situation in the US is even worse. If the Asia Pacific Gateway initiative can alleviate congestion in Canada, this would provide a considerable competitive advantage over US ports of entry, and Canada, and Manitoba in particular, could gain a valuable portion of US trade. A study two years ago by Gemini Fashions Ltd. compared air cargo routes from Asia to Miami and air and surface routes from Asia to Miami via Vancouver, and determined that it was cheaper and faster to go through Vancouver primarily due to congestion at Miami airport.

There is seen to be great potential for Winnipeg to be a North American transportation hub. Palliser Furniture has opened a large distribution facility because of the easy access to the US. Manitoba's Mid-Continent Corridor and its capacity to be a true "Gateway to North America" links well with the Asia Pacific Gateway strategy. Manitoba is exploring the feasibility of developing an inland marine container terminal to help alleviate West Coast congestion.

Beyond land transport, Winnipeg airport handles increasing amounts of cargo, but has the capacity to handle more. The airport has seen a huge growth in cargo, driven by lower prices for higher value goods, consumer demand, and increasing reliance on just-in-time deliveries. Chinese carriers that are currently unable to fly directly to the US are interested in using Winnipeg airport as a means of accessing the US market. However, the airport needs to invest more in marketing itself to Asian economies, airports and carriers.

Manitoba's International Gateway Strategy- Hon. Ron Lemieux, Minister of Infrastructure and Transportation

Minister Lemieux reiterated Manitoba's support for an Asia Pacific Gateway. He noted Manitoba has natural advantages such as a central geographic location, extensive transportation and logistics services and the Pembina border crossing with the US.

Manitoba has an International Gateway Strategy that fits very well with the Asia Pacific Gateway strategy. The main components are:

1. Manitoba International Gateway Council: To be established soon, comprising primarily industry stakeholders. Minister Lemieux announced that \$100,000 will be made available to establish this council.
2. Winnipeg Inland Port Initiative: Manitoba has been developing a strategy to develop an inland port to connect rail, air and truck nodes. In October 2005, a

- Memorandum of Understanding was signed with Kansas City Inland Port, for integration and sharing of best practices. There is currently much undeveloped land near the airport which could be used. Russian and Chinese delegations are interested in Winnipeg airport as a potential air hub.
3. Inland Marine Container Terminal: This would relieve West Coast congestion, and would be located where the main lines of the national railways intersect to access Prince Rupert and Vancouver container traffic.
 4. Polar air routes: Manitoba is working with Russia's Krasnoyarsk airport to look into developing polar air routes.
 5. Churchill Gateway Development: Churchill has great potential as Canada's only deep sea Arctic port, but needs investment. The federal government is looking at other ports in Nunavut but Manitoba is hoping Churchill will be the favoured port to be developed.
 6. International Mid-Continent Trade and Transportation Corridor: This is a critical component of Manitoba's International Gateway Strategy, and includes issues such as transportation flow and security at Pembina border crossing, the Western Hemisphere Travel Initiative and other US-Canada-Mexico initiatives.

The transportation focus of the Asia Pacific Gateway must be evenly spread across the Western provinces, must support and connect to the Manitoba International Gateway, and must be sustainable, Minister Lemieux concluded.

Manitoba and Key Exports

Manitoba's export sector is resilient and has been adapting to global economic dynamics for decades. Many companies have moved offshore or use subcontractors to outsource components. Major clients have become major suppliers, and in response traditional manufacturers are offering more value-added services such as marketing, supply chain management, administration, design, sales and distribution. As industry seeks to reduce inventories, being able to deliver just-in-time products to customers quickly has become essential.

Awareness of the rise of Asia is growing, but still limited. Only a small part of Manitoba's industry is embracing the Asian market. There is a problem of relative complacency regarding the Asia market, and lack of investment of time and money into the future. At the same time, companies should not be pushed into markets they are not ready to tackle.

Human Dimensions of Gateway

Winnipeg has had a sister city relationship with Chengdu, China, for some years and this is still developing. Manitoba has signed economic development agreements with the provinces of Hunan and Anhui in China. These government-to-government relationships are seen to be important as they encourage business.

Some 47% of all immigrants to Manitoba are from Asia Pacific. The Philippines, Germany, India, China and South Korea are consistently the top five countries of origin for Economic Class immigrants to Manitoba. Manitoba's Provincial Nominee Program (PNP) uses a multi-pronged strategy that includes: post-graduate work permits for international students, strategic recruitment, employer direct job offers, and community and family support. The PNP is actively focusing on bringing to Manitoba entrepreneur

immigrants from China and South Korea, but faces the challenges of finding qualified people and business opportunities for them to invest in. So far, 60% of investment opportunities have been discovered by asking door-to-door. Another key problem in bringing Asian investors into Manitoba is the small size of the local market.

Manitoba's Immigration and Multiculturalism Division is seeking to improve immigrant retention rates by providing adult language training, settlement and labour market services, and immigration promotion and recognition, through a multiculturalism secretariat. The province faces a challenge in integrating recent immigrants into business due to their lack of training in Western business practices. The province is also hindered in bringing in students due to visa approval problems.

Manitoba has a broad multicultural community that can provide bridges to Asia. In particular, Manitoba has a large Filipino community which is spurring increased travel between the Philippines and Manitoba. But the province is still at the beginning stages of leveraging this community for business contacts and expertise in Asia.