

Atlantic Gateway

The Role of Halifax Regional Municipality



Prepared by
Halifax Regional Municipality

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1.0 INTRODUCTION

Background

Canada is a successful trading nation. The nation's economic growth and standard of living depend on the export and import of products and resources as part of global supply chains. Coherent planning between governments and partnerships between public and private sectors in the development of trade policy and integrated transportation systems that enable goods and people to move with world-class efficiency are essential to Canada's economic prosperity.¹

The global economy has shifted dramatically. Several Asian countries and the Indian sub-continent are experiencing strong economic growth and are driving global trade. Pacific Rim Asian markets now account for more than one third of world trade and are growing at a significant annual rate. As a result, huge volumes of container traffic are originating from that region. As an example Canadian Tire Corporation now sources 30 to 40 percent of its product from South East Asia. With businesses increasingly relying on efficient multi-modal transportation systems as keys to success, transportation has become crucial to global competitiveness.

Canada requires two "front doors" for this traffic to meet the current demand and capture a significant share of economic growth resulting from global trade. The Pacific gateway is well developed, but a similar gateway is required on the Atlantic coast to handle container and other cargo traffic which are increasingly being routed to the Atlantic Ocean via the Suez Canal.

In support of this objective the Government of Canada has announced \$2.1 Billion for National Gateways and Border Crossings in the 2007 Budget. The 2007 Budget identified the National Policy Framework for Strategic Gateways and Trade Corridors. The framework represents a national policy approach for both public and private sector stakeholders to guide the development of the our national gateways.

¹*National Policy Framework for Strategic Gateways and Trade Corridors.* Transport Canada, 2007.

The economic opportunities represented by the Atlantic Gateway are significant for HRM. However, the role of the Halifax Regional Municipality needs to be considered, determined, aligned, and lead. HRM's Economic Strategy recognizes the significant opportunity for economic growth of the region through development of the Gateway strategy and the initiative is garnering interest at the Federal and Provincial levels of government and the benefit of enhancing the region's gateway potential is increasingly being recognized by the private sector.

In 2005 HRM's Economic Development Strategy identified the Halifax Gateway as a priority action item under the strategy. Our port, airport, trucking and rail operations, directly or indirectly account for more than 16 percent of all economic activity in HRM.

In October 2007 Atlantic Canada Opportunities Agency (ACOA) released its business case for the Atlantic Gateways. The ACOA report concludes there is a compelling case for advancing the Atlantic Gateway with a focus on growing the international container trade into the Atlantic region.

Based on the ACOA report, the Atlantic Gateway opportunities through 2025 could contribute to an increase in jobs by 61,000, wages of \$2.12 billion, and GDP of \$3.43 billion. Successful growth in the marine container sector would have the largest impact with 68 percent of the job creation and GDP.

Time is of the essence in terms of responding to opportunities presented by the Atlantic Gateway concept. The environment is extremely competitive and competitors along the eastern seaboard are investing heavily to increase their handling capacity and to improve docking, warehousing, loading, and overland transportation infrastructure. Failure to seize the global opportunity will mean companies and countries will make other choices at Atlantic Canada's expense.

Purpose

This report identifies some of the key concepts related to the Atlantic Gateway and outlines the Municipality's potential role and primary areas of interest and alignment in the continued development of Halifax as a leader in the Atlantic Gateway.

The purpose of this report is to:

- Outline the Gateway Opportunity for Halifax;
- Consider the role of the Halifax Regional Municipality;
- Consider areas of alignment in the areas of both physical and policy infrastructure; and
- Develop an Atlantic Gateway awareness and action plan that will position the Municipality to best capitalize on the Atlantic Gateway initiative.

2.0 THE GATEWAY OPPORTUNITY

Benefits

The primary benefits of an expanded Atlantic Gateway include:

- Increased container traffic through the Suez Canal to Atlantic Canada;
- Growth in cruise activity both port of call and home port;
- Improvement of transportation infrastructure throughout the region;
- Growth in air cargo, passenger travel, and tourism; and
- Increased access to foreign markets for both imports and exports.

Challenges

Atlantic Canada's main challenges relative to other potential Atlantic Gateway regions include:

- Small population base and economic market in area served by gateway-related infrastructure;

- Low international profile and recognition by international markets;
- Lack of integrated regional strategy for transport, technology, and education;
- Shortage of skilled labour in the transport sectors;
- Road congestion and need for improved transportation distribution infrastructure;
- Other jurisdictions in US and other locations are moving quickly to upgrade port facilities and transportation infrastructure.

Conditions for Success

- Clear leadership and support from Mayor and Council, the gateway initiative requires unprecedented integration among levels of government, educational institutions, and private sector stakeholders;
- Branding of our distribution assets as “Atlantic Gateway”
- Development of an Atlantic Gateway Strategy among all Atlantic Provinces, including economic, investment, and education / training strategies;
- Federal Government support, recognition as a national, in addition to regional, issue;
- Strategic investment in infrastructure, marketing, collaboration and training; and
- Marketing the Gateway.

3.0 ROLE OF HALIFAX REGIONAL MUNICIPALITY

Halifax as a Hub

Currently, Halifax Regional Municipality acts as a multi-modal entry point for the Atlantic region. Due to its size, location and existing transportation infrastructure, HRM is well positioned to expand its role as a key hub in the Atlantic Gateway for the shipment of goods both to and from North America. The transportation sector represents a significant driver in the municipal economy. Investment made in highway, rail, port and airport-related infrastructure is significant and the transportation sector accounts for 28,000 direct and indirect jobs in the region and 16 percent of total economic activity. HRM therefore has a significant role to play in fostering an environment in which the transportation sector can grow and prosper and in advocating

the transportation and infrastructure priorities of this region to other orders of government.

Competitive Advantage

- Deep ice free port, land for infrastructure;
- Port of Halifax relatively congestion free and can accommodate additional traffic immediately;
- Closest North American gateway in travel time to Europe and the Suez Canal;
- Competitive labour rates / labour peace;
- Easy land access to Quebec/Ontario and US Midwest and Eastern Seaboard markets; and
- Shippers could use East and West Canadian ports to balance supply chain flows across the country.

Atlantic Gateway Objectives and Alignment of HRM Initiatives

The ACOA action plan for the Atlantic region focuses on the following:

- Improved marketing and product development;
- Gateway infrastructure improvements and protection;
- Security and border efficiency improvements
- Stakeholder collaboration;
- Policy initiatives to improve competitiveness; and
- Development of region's human resources

From this it is key that HRM consider now how best to articulate and represent the municipal position on the Atlantic Gateway concept, how the municipality can best support and capitalize on the opportunities ahead, and identification of those components of the concept which are specifically relevant to HRM. HRM, through its collaboration with the Halifax Gateway Council, has identified a municipal focus in three areas:

- Development of the Distripark/Transload Sector
- Development of an Air Cargo Facility

- Development of the Home Port Cruise Strategy

The general role of HRM is one of strategic support, related to the municipal mandate, in key priority areas. The success of this strategic support will depend on how well HRM's priorities are aligned with those of the Atlantic Gateway initiative.

Infrastructure and Development of the Transload Sector in Halifax

- facilitating the growth of new business opportunities through improved marketing and development of regional infrastructure and business parks.

The advantages of Halifax as a Gateway are not well known in the global market place; therefore, a critical action for public and private stakeholders is to begin now at positioning and marketing its infrastructure and assets as Gateway Assets. HRM has substantial land holdings in key locations which can and should be promoted "Atlantic Gateway" assets to support gateway-related infrastructure such as transload/logistics and to also facilitate port, rail and airport infrastructure expansions.

Many ports in North America are pursuing the establishment of distribution warehouses in close proximity to port facilities. These facilities attract the cargo of major retailers and their distributors by unloading their product from foreign containers and re-packing to domestic containers for delivery to local markets via rail, truck, or short sea. Developing the container transload sector is widely seen as a key priority in the growth of the Port of Halifax as a major hub and is of critical importance to the future of the Atlantic Gateway. Transload opportunities make the market bigger by driving additional cargo through a port. Due to HRM's small size relative to other ports, developing this capacity is vital.

"Halifax has potential for significant growth in its industrial real estate market as a result of the new logistics demands."

Building the transload/logistic sector in Halifax is of critical importance to the future role of Halifax in the Atlantic Gateway. The withdrawal of Maersk Line from Halifax in April 2007, in favor of Savannah, GA, which has 19 major distribution facilities within 10 miles of the port, underscores the urgency of this situation. Savannah is 870 nautical

miles further away from the entrance to the Mediterranean, and the Atlantic region provided the line with ample local cargoes, including very good paying refrigerated cargoes, yet it still felt compelled to switch to Savannah because of the amount of distribution activity taking place there. From relative obscurity in the 1980s, when it was actually smaller than Halifax in the number of containers handled, Savannah has made itself a “must call” port, for lines serving the US east coast via the Panama and Suez canals. Halifax must do the same.

The transload sector begins to address the problem of the small size of the Atlantic region market. It makes the market bigger than it actually is by driving additional cargo through the port. This is just one of several initiatives underway to increase cargo throughput at Halifax.

Transportation companies have had difficulties in the past securing land of sufficient size at optimal locations for new transload and logistics facilities in HRM. In 2006 a Transload study was commissioned by the Greater Halifax Partnership. The study builds on previous 2004 work established in HRM’s Regional Plan and Business Park Office to identify an area in Burnside for a “transportation node.” The study identifies best practices with respect to developing and operating transload distriparks. Three possible locations identified by the transload study are Burnside, Fairview Cove, and Rocky Lake. Burnside Park is the only location that can provide suitable land immediately. Within Burnside, the study examines two sites, including an area within Phase 12, where Consolidated Fastfrate has located and Armour Transportation is locating, and Phase 13 which will not be accessible until an overpass across Akerley Extension and Sackville Expressway are built. Phase 13 to the north has the potential for a stand-alone design efficient “Atlantic Gateway Halifax Logistics Park.”

The Transload Study supports Phase 13 as the preferred long term location with the creation of a limited number of large lots near Consolidated Fastfrate and Armour to accommodate any near term activity. In the meantime, HRM through the Halifax Gateway Council, will be pursuing applications to the Federal Government, under the National Policy Framework for Strategic Gateways and Trade Corridors program, to move ahead with the planning for Phase 13. A Transload Transaction Team has been established by the Halifax Gateway Council to follow-up on and manage this objective.

- supporting the development of transportation systems and infrastructure that support Gateway infrastructure improvements and protection.

*“The global container based transportation system is now a major driver of industrial land demand in many cities” and “looking at current trends and pending changes in global logistics” “Vancouver, Edmonton, and **Halifax** may see the most noticeable growth in the logistics real estate requirement.”*

The emphasis of the gateway initiative overall is an integrated transportation system, as opposed to strengthening any particular mode or element. One key to success of the gateway initiative is to develop an efficient multi-modal transportation system. This can be achieved through a combination of transportation/traffic planning, enhancement of existing transportation assets, and development of new infrastructure. HRM must be an active and engaged partner in this aspect of the initiative as the municipality plays a key role in overall transportation planning for the region and stands to benefit from the required infrastructure improvements.

The National Policy Framework for Strategic Gateways and Trade Corridors recently produced by Transport Canada stresses the importance of integrating “physical and policy infrastructure.” Essentially, this approach places transportation infrastructure at the centre, but encompasses all other interconnected issues of public policy, including environmental stewardship and sustain ability. From HRM’s perspective, strategic implementation of key aspects of the Regional Plan, Harbour Plan and Economic Strategy, can support this approach.

Development of an Air Cargo Facility

As gateways are multi-modal in nature, the air industry plays an important role in supply chain logistics.

Airports serve as primary ports of entry and are a significant part of the import, export and distribution of goods. As with other modes of transportation, planning airport

improvements must be closely integrated with a larger strategy; i.e., efficient links from airport facilities to road and/or rail transportation are crucial to ensure the timely transfer and delivery of goods. An Air Cargo Study has been completed by the HIAA and provides a road map to move forward, including construction of an air cargo facility.

HRM is already working closely with the Halifax International Airport Authority (HIAA) on several areas related to the municipality's mandate and a Memorandum of Understanding (MOU) is being developed to identify joint activities. Currently, these areas of ongoing work include taxation, infrastructure, land requirements, fire service, parking enforcement, development and planning issues. Through the MOU between the two organizations, roles and specific actions related to the gateway initiative can be formalized.

Development of the Home Port Cruise Strategy

In addition to the transport of goods, gateway development can facilitate increased transport of people. To this end, a Cruise Home Port Strategy is underway under the leadership of the Halifax Port Authority. The strategy will target small niche cruise lines first and then medium sized lines if successful in the first phase. Home port passengers spend approximately four times more than port of call passengers. Expansion of port of call business for small and large ships is also a component of the strategy. Required steps include development of a more detailed home porting strategy, business case development, marketing plan development, as well as working with other small ports to develop infrastructure, packages and visits.

Like the Municipality's work with the HIAA, a draft Memorandum of Understanding (MOU) has been developed with the Port Authority. The MOU will highlight areas of joint activity such as gateway development initiatives, economic, land use, planning and development, transportation and infrastructure, tourism and visitor services for cruise ships. This MOU can ensure close bilateral linkage with the HPA on gateway initiatives and can be used as a resource for broader strategies developed by the Halifax Gateway Council. Plans by the HPA to develop a significant cluster of community and cultural

facilities, including Pier 21, the Cunard Events Centre, the expanded NSCAD campus and a new Farmers' Market are part of an overall strategy to enhance Halifax's persona as a destination of choice for cruise ship passengers.

4.0 APPROACH

Integrated Approach

The Economic Strategy recognizes the significant potential for economic growth represented in the region's substantive port, air, rail, and highway transportation infrastructure and recognizes the need to develop the Halifax Gateway as an east coast logistics hub for transportation. No single jurisdiction can address all of the interconnected issues that determine success of a gateway or trade corridor, so unprecedented levels of partnership are required. HRM can play a key advocacy role in working with other partners to develop the region's system of transportation infrastructure and/or attract investment. The municipality can play a key role in identifying and lobbying for key infrastructure improvements and opportunities that will advance the local, regional, and national interest in the Atlantic gateway initiative.

Collaborative Approach

The Municipality's role in raising public and media awareness of the significant economic potential associated with growing the Atlantic gateway concept is significant. Community leaders, including members of Council and the Mayor, need to be provided with concise and helpful information about concepts such as the global supply chains, the Atlantic Gateway and the transload industry sector in order to ensure that citizens are knowledgeable and engaged with respect to the Atlantic gateway and the importance of the transportation industry to the regional and national economies.

5.0 SUMMARY ACTION TABLE

AWARENESS - ALIGNMENT - ACTION

ATLANTIC GATEWAY ACTION PLAN	MUNICIPAL STAKEHOLDER INITIATIVES/PLANS	HRM DELIVERABLES
Improved marketing and product development	<ul style="list-style-type: none"> ● Development of the “Halifax Distripark/Transload Sector” 	<ul style="list-style-type: none"> ➤ Partnerships with GHP and HPA ➤ Develop a Business Park Strategy to act as a guide to future development and economic opportunities (Business Park Functional Plan) ➤ Positioning and Branding an area of Burnside Phase 12 as “Atlantic Gateway Halifax Logistics Park” ➤ Support the continued role of the stakeholder “ Transload Transaction Team” to coordinate business attraction and development
Gateway infrastructure improvements and protection	<ul style="list-style-type: none"> ● Development of an Air Cargo Facility ● Development of the Home Port Cruise Strategy 	<ul style="list-style-type: none"> ➤ Memorandum of Understandings HIAA and HPA ➤ Work with partners to identify values and vision around growing our community. Create an “alignment of strategy intent” and rules of engagement” to implement vision ➤ Articulation of Gateway Infrastructure Priorities
Security and border efficiency improvements		
Policy initiatives to improve competitiveness	<ul style="list-style-type: none"> ● Regional Plan, Harbor Plan , and Economic Strategy 	<ul style="list-style-type: none"> ➤ Strategic and timely implementation
Development of region’s human resources	<ul style="list-style-type: none"> ● Economic Strategy 	<ul style="list-style-type: none"> ➤ Memorandum of Understanding with Universities and NSCC

6.0 GLOSSARY OF TERMS

Atlantica - concept which seeks to maximize Atlantic economic development through an economic network and trade corridor comprising the four Atlantic provinces, parts of Ontario and Quebec, and the Eastern Seaboard of the United States. The term is often used interchangeably with the term “Atlantic Gateway”. However, the two concepts are separate but related. One part of the Atlantica strategy is to develop the Atlantic region into a gateway for global trade.

Atlantic Gateway - growth in global trade has stressed capacity in the Pacific Gateway. In addition, new container ships from the Asian / Indian market that are too large for the Panama Canal are increasingly being routed to the Atlantic Ocean through the Suez Canal. Therefore, there is strong interest in developing a North American Atlantic gateway to receive this traffic. A gateway port on the east and west coasts of Canada would enable movement of fully loaded containers both east and west and allow the nation to take better advantage of economic opportunities associated with global supply chains. An Atlantic Gateway could establish common regulations, security procedures, cost structures and marketing among the Atlantic Canadian provinces.

Atlantic Gateway Committee - ten member committee representing a collaboration of the Atlantic Canada Opportunities Agency, Transport Canada, and the provincial governments of the four Atlantic Provinces. The objective of the group is to develop and implement an Atlantic Gateway Strategy.

Distribution Centre - large warehouse facilities which provide inventory and just in time distribution service to large retail chains. DC's are usually located near major gateway and transportation infrastructure and close to large population centres where many outlets of the chain store are situated. DC's are the foundation of a retailing network and their primary role is to receive large quantities of products and ship smaller quantities directly to individual stores. Suppliers ship large quantities of product to a DC where the product is stored until needed and the DC ships the proper quantity to the store. Large distribution centres for companies such as Wal-Mart can service 50 to 125 stores.

Distriparks - also referred to as “Logistics Parks”, distriparks are large scale, transportation distribution complexes which offer value-added logistics services at a central location in direct affiliation with container terminals and intermodal transport facilities for transit shipment. Distriparks employ the latest in information and telecommunications technology and provide space for warehousing, customs clearance, storage and forwarding, transloading service and other value-added services including assembly, labeling, packaging, sorting and “just-in-time” delivery.

Gateway - a multi-modal (marine, road, and air) entry/exit point for international trade through which goods move beyond local and regional markets to major markets.

Halifax Gateway Council - Greater Halifax Partnership (GHP) and the Halifax Port Authority (HPA), the Halifax Gateway Council is comprised of representatives from major shipping and transportation interests, CN Rail, Stanfield International Airport, the HPA, Transport Canada, HRM, ACOA and the Province of Nova Scotia. The Council has adopted a strategic vision and growth plan with a vision to “become North America’s preferred eastern gateway for the economic and social benefit of Atlantic Canada”.

Hub - area where freight leaves one transportation provider (air, ship, rail, truck) and continues with a second. Gateways are simply enhanced hubs, generally located at customs points with sea and land based components.

Inland Terminal - encompasses a broad range of facilities of varying sizes, functions and locations. Essentially, an inland terminal is an adjunct of a seaport terminal at which certain functions of the latter are shifted to the former in order to achieve

more efficiencies and to enhance competitiveness. As implied in the definition, these functions occur at a location inland from a seaport. In the HRM context, a January, 2006 study commissioned by HRM and the Port of Halifax evaluated the role that an inland terminal or truck access to the CN rail cut through the Halifax peninsula could play on alleviating some of the challenges presented by trucking activity in HRM. The Trucking Options study concluded that all truck-related activities carried out at the Halifax Inter-modal Terminal could be conducted at a new inland terminal situated near Rocky Lake thereby increasing port capacity by as much as 250,000 TEUs.

Inter-modal Terminal - a facility at which a container is moved from one mode of transport, such as ship to another, such as rail or truck or vice versa. The Halifax container terminals are good examples of intermodal facilities as is Stanfield International Airport.

NS Gateway Strategy - the Government of Nova Scotia has developed a Gateway Strategy for the province. Currently, this initiative ranks second on the Province's list of priorities. The vision of the strategy is to establish Nova Scotia as a strategic gateway to North America and a pivotal link in the global transportation system - to the economic benefit of Canada. Staff and financial resources have been re-directed within the Province to implement this initiative.

Pacific Gateway - a system of international transportation links on the west coast of Canada developed to receive goods primarily from the Asian market. A funding package was provided by the Government of Canada to the Pacific Gateway Initiative in 2005 to establish a "multi-modal network of transportation infrastructure focused on trade with Asia". Key components developed were ports, airports, and supporting road and rail networks.

Short Sea Shipping - the transportation of goods and passengers through marine services that do not cross an ocean. Short sea shipping provides a cost-effective alternative to routing by air, rail and highway in cases where marine services are available. Short-sea shipping refers to short distance shipping which does not cross an ocean and can also include the process of "trans-shipment" whereby containers are transferred from a larger ship to a smaller ship (or vice versa). This is used in North America to reach smaller markets and shallower ports, particularly where rail or road access may be limited or non-existent.

TEU (Twenty-foot Equivalent Unit) - TEU is the international standard for measuring container cargo and traffic volumes. It is based on the original ISO standard container with dimensions of 20 feet length by 8 feet high by 8.5 feet wide.

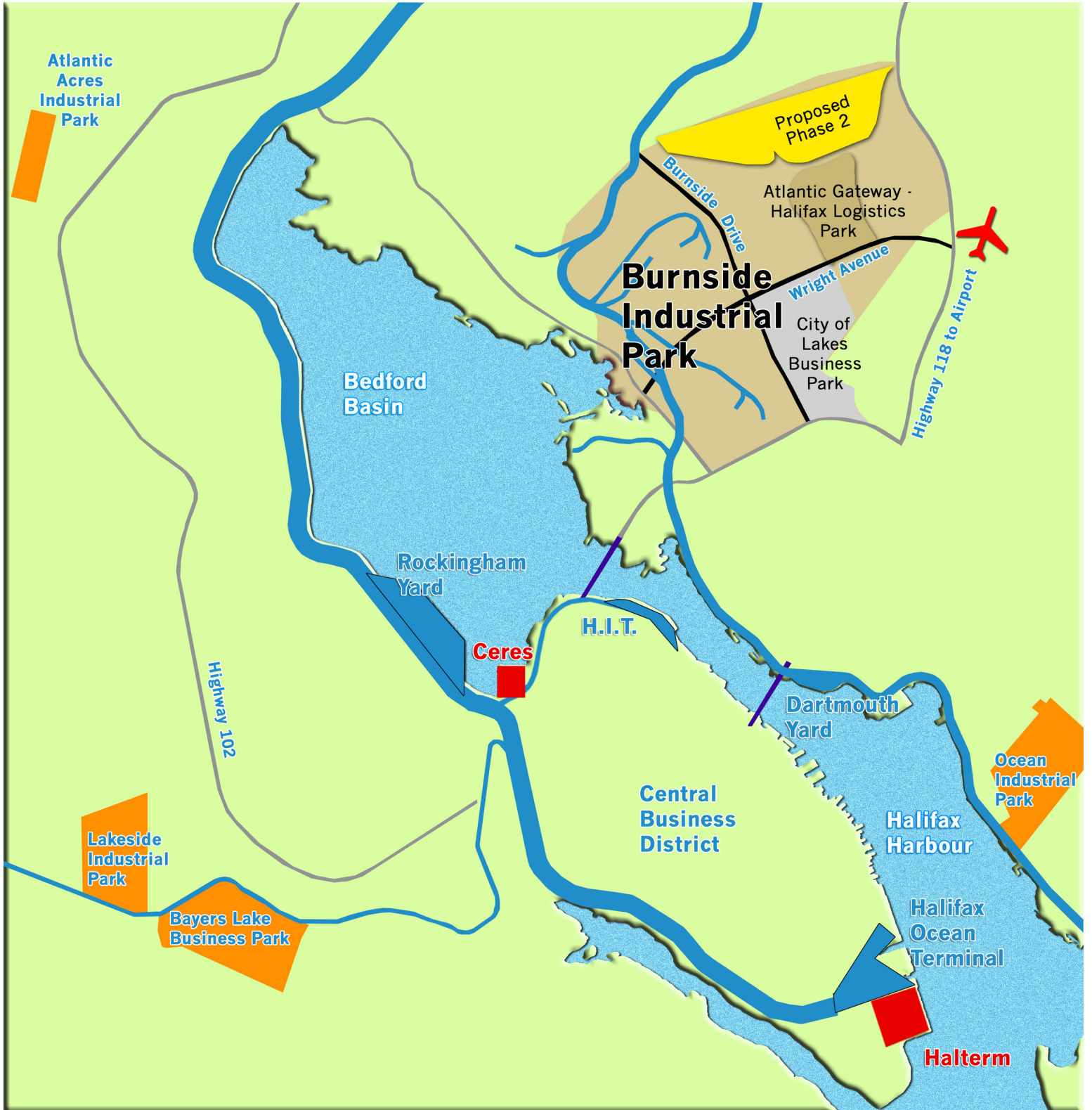
Third-party Logistics Provider (3PL) - a company that supplies transportation logistics services to other companies such as retailers.

Trade Corridor - a linear, multi-modal orientation of international passenger and freight flows that connect gateways to major markets.

Transload - the physical transferring of materials from one means or mode of transportation (i.e. truck, rail, air, ocean) to another. In the context of container transport, examples of transload service include:

- overweight ocean containers being transloaded into domestic truck containers to meet legal road weight restrictions;
- transloading and palletizing loose cargo to facilitate its shipment;
- transloading ocean container cargo to road carriers in order to avoid storage and handling charges at seaport or rail terminals;
- consolidating (destuffing and restuffing) 20' and 40' ocean containers into 53' domestic truck containers in order to reduce transport costs; and
- facilitating the availability of empty ocean containers for reuse as a means to export goods.

Transload Logistics Centres - a sophisticated system of transloading, schedule and manifest management and overall logistics required to move them quickly, efficiently and on-time to inland locations and markets. Transload logistics centres, comprising transload warehouses and supportive land uses in close proximity to a port facility and to other transportation modes such as rail, air and highways allows shippers to unload and then sort cargo for transportation to other major centres. Transload facilities attract the cargo of major retailers and their distributors by providing value-added service in the form of unloading their product from foreign containers and re-packing it to domestic containers for delivery to local markets and managing the overall logistics related to transport and delivery.





Halifax Regional Municipality
PO Box 1749
Halifax, NS B3J 3A5
Canada

www.halifax.ca
Tel: (902) 490-6025 Fax: (902) 490-6030