



WASHINGTON, D.C.

TRADE MISSION 2008



**ALBERTA'S
STRATEGIC GATEWAY IN THE
EMERGING ASIA-NORTH
AMERICA TRADE AND
TRANSPORTATION LANDBRIDGE**



WASHINGTON, D.C.

TRADE MISSION 2008

The United States is a global leader in the manufactured goods and natural resources that are in high demand in the growing Asian markets; these include electronics, aviation, grain (corn, soy bean, alfalfa, oil seeds), iron and steel, lumber, and coal. The trade and transport revolution that is taking place on America's northwestern borders with Canada will have a significant impact for the U.S. that promises tangible benefits to American consumers, manufacturers, and various industries. This development has emerged because of three interrelated economic and political forces that have co-joined in the province of Alberta and are consolidating into a single institutional trade and transportation hub called the "Port of Alberta."

The historic forces that are driving this emerging strategic asset for both the Canadian and American economies are:

The Rise of Alberta's Oil Sands

According to the U.S. Department of Energy's Energy Information Administration (EIA), "Canada's total oil production (including all liquids) was 3.3 million b/d in 2006. The country's oil production has steadily increased as new oil sands and offshore projects have come on-stream to replace aging fields in the western provinces: from 1996-2006, oil sands production has increased from 445,000 bbl/d to 1.2 million b/d.

"Overall, EIA predicts that oil sands production will increase even further in coming years and more than offset the decline in Canada's conventional crude oil production."

As a result of the success of Alberta's oil sands development, Canada has become the leading oil exporter to the U.S., outpacing Saudi Arabia, Mexico and Venezuela.

Second only to the Saudi Arabia reserves, Alberta's oil sands deposits were described by *Time* Magazine as "Canada's greatest buried energy treasure," and "could satisfy the world's demand for petroleum for the next century." In 2006 industry investment in Alberta's oil sands totalled approximately \$14 billion.

In 2006 Alberta's oil sands were the source of about 62 per cent of the province's total crude oil and equivalent production and about 47 per cent of all crude oil and equivalent produced in Canada. Over the last four fiscal years, from 2003/2004 to 2006/2007, oil sands development returned \$4.276 billion to Albertans in the form of royalties paid to the provincial government.

Annual oil sands production is growing steadily as the industry matures. Output of marketable oil sands production increased to 1.126 million barrels per day (bbl/d) in 2006. With anticipated growth, this level of production could reach 4 million barrels per day by 2020 and possibly even 5 million barrels per day by 2030. This degree of activity would support the development of other key industries and see Alberta become a global energy leader.



WASHINGTON, D.C.

TRADE MISSION 2008

Driving Alberta's Economic Success

- Over the past decade, Alberta had the highest rate of economic growth rate in Canada at 4.3 percent per year. In 2006, Alberta's economy grew by 6.8 percent and experts predict Alberta will have one of Canada's top performing economies in the future.
- Alberta's exports of goods and services more than doubled between 1996 and 2006 to \$90.1 billion. A growing number of those exports are manufactured products and services. Exports of manufactured goods more than doubled over the same period.
- Alberta has had a rapidly growing manufacturing base. Between 1996 and 2006, manufacturing shipments almost doubled to \$64.4 billion.
- The province consistently has the highest investment per capita among provinces. In 2006, Alberta investment per capita was \$22,296, more than twice the national average. A total of \$75.3 billion was invested in 2006, almost quadruple the 1996 level.
- Alberta's vibrant economy translates into a healthy job market. Average annual employment in the province in 2006 increased by 86,300 over 2005. Approximately 465,600 new jobs were created between 1996 and 2006.
- Alberta's average unemployment rate in 2006 was the lowest in Canada at 3.4 percent.

Alberta & the U.S.

The U.S. is by far the largest destination for international exports from Alberta. Over 90 percent of all provincial exports abroad are shipped to points in the U.S. Seventeen of Alberta's top twenty international export destinations are U.S. states. Additionally, the U.S. is the source of two-thirds of all foreign investment in the province. Sixty per cent of tourists visiting the province from other countries are from the U.S. In 2006, the U.S. was Alberta's largest trading partner, buying almost 90 percent of provincial exports.

The U.S. oil industry has been an important source of investment and technology for the Alberta oil patch since the 1940s. Growth of Alberta's energy sector, energy trade liberalization under the North American Free Trade Agreement (NAFTA), and rapid development of the oil sands have made Alberta vital to Canadian and U.S. energy security.

Alberta was the first province to promote free trade with the U.S. and has benefited greatly. Alberta exports to the U.S. have increased dramatically under free trade. Alberta's merchandise exports to the U.S. in 2006 were valued at close to \$73.8 billion, reflecting high world energy prices. The United States is Alberta's largest investment partner. Alberta was successful in attracting Dell to open a 2,250 person contact and service center in Edmonton in January 2005. Alberta also saw new or enhanced investments recently made by Johns Manville (Denver), Center Partners (Fort Collins, Colorado), Sysco (Houston) and Argon Capital (Redwood City, California).

Alberta participates in a number of organizations whose membership includes U.S. states. These include the Pacific NorthWest Economic Region (PNWER), the Council of State Governments-West, and bilateral councils with the states of Montana and Alaska.¹

¹ http://www.iir.gov.ab.ca/international_relations/alberta_us_relations.asp



WASHINGTON, D.C.

TRADE MISSION 2008

The Emergence of the Asian Economy and the Chinese Market

China and Hong Kong together already rank as the third-largest U.S. export market, behind only Canada and Mexico. U.S. exports to China since 2000 have grown at a faster rate than U.S. exports to any other major export market. Between 2000 and 2006, exports to China increased 240 percent.

Electrical machinery and equipment, power generation equipment, medical instruments, plastics, aircraft, iron and steel, and agricultural products were among the largest U.S. exports to China.

According to the October 2007 report of the Congressional Research Service, U.S. merchandise exports to China in 2006 were an estimated \$55.2 billion, up 32 percent over 2005 levels, making China the 4th largest U.S. export market (it was 5th in 2004). It could overtake Japan to become the 3rd largest export market in 2007.

U.S. exports to China in 2006 accounted for 5.3 per cent of total U.S. exports (compared to 3.9 per cent in 2003). The top five U.S. exports to China in 2006 were semiconductors and electronic components, aircraft and parts, waste and scrap, oilseeds and grain, and resins and synthetic rubber and fibers.

China's economic growth and trade liberalization, including comprehensive trade commitments made upon entering the World Trade Organization (WTO) in 2001, have led to a sharp expansion in U.S.- China economic ties. In 1978 China was the 32nd largest U.S. export market and its 57th largest source of its imports; in 2006, China ranked as the 4th largest export market and its 2nd largest source of imports. The importance of the China market is expected to grow even further as living standards continue to improve and a sizable Chinese middle class emerges.

Among U.S. states, the top three exporters to China in 2006 were California, Washington, and Texas. The top export category of both California and Texas was computers and electronics (\$3.3 billion and \$2.0 billion, respectively). Washington's top export to China was transportation equipment (\$4.8 billion). Arizona, Tennessee, and Michigan were the fastest-growing U.S. exporters in the 2000–06 period. Smaller states showed strong growth in exports to China: Exports to China from Vermont increased 1,300 percent during 2000–06, while Vermont's total exports to the world declined 7 percent. Delaware's exports to China rose 844 percent during the period. And Rhode Island's exports to China expanded almost 250 percent, making China Rhode Island's fifth-largest trading partner.²

² <http://www.fas.org/sgp/crs/row/rl33536.pdf>



WASHINGTON, D.C.

TRADE MISSION 2008

Canada's Support for Strategic Trade and Transport Gateways

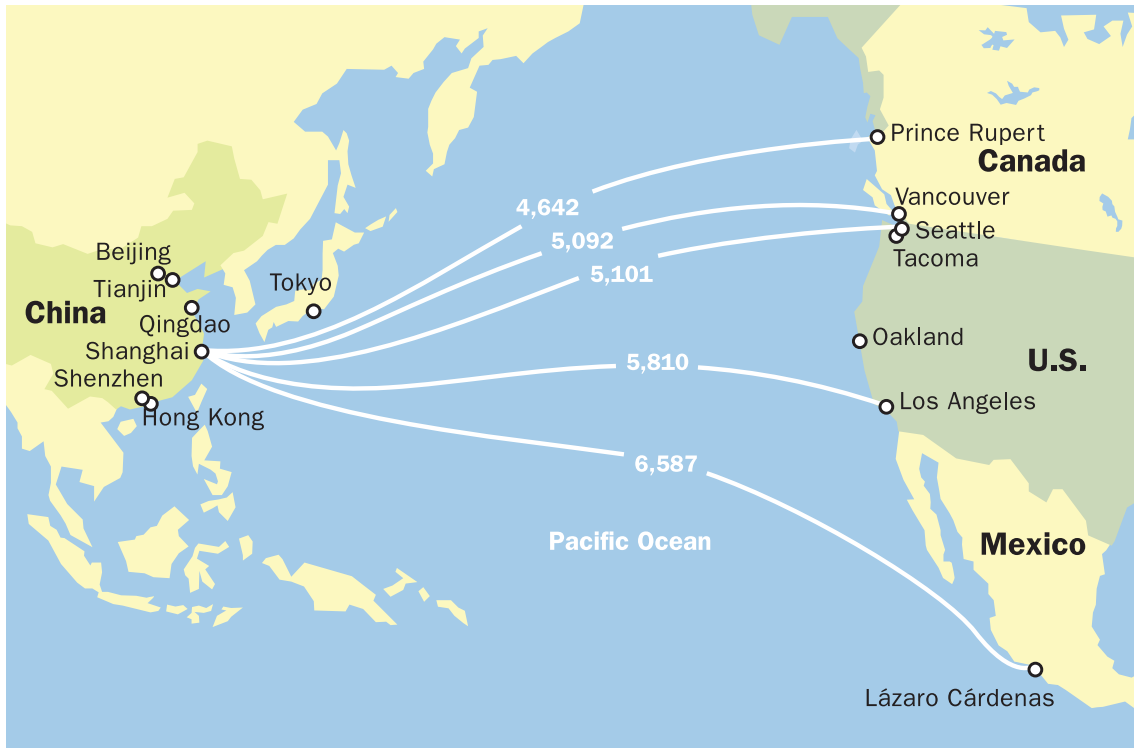
In the last five years, the world economy has grown more than during any other five-year period since World War II. As one of the most trade-reliant nations in the G-8, Canada is benefiting from this global growth. By the end of 2006, exports and imports of merchandise had both hit record highs, reaching \$458 billion and \$404.5 billion, respectively.

At the same time, the global economy is changing significantly. The North American Free Trade Agreement (NAFTA) and the European Union (EU) gave rise to new trading blocs that have underpinned the new integrated global marketplace. Coupled with the emergence of new economic powers such as China and India, global marketplace integration is driving the distribution of economic activity, as well as the expansion of world trade. The emergence of global supply chains as the preeminent business model is a key factor in global economic changes.

The Canadian federal government under the leadership of Prime Minister Stephen Harper has developed a national policy to advance the growth of the Canadian economy by promoting and supporting multimodal integration of major transportation systems. This policy is meant to boost bilateral flow of goods, services, people and capital in the United States. With close to 2 billion dollars of goods and services moving across the Canadian-American border daily, transportation systems are the key to a successful and growing bilateral trade between the two countries.

Ottawa's Asia-Pacific Gateway and Corridor Initiative (APGCI) was the first application of this new approach. The purpose of the Initiative is to strengthen Canada's competitive position in international commerce by more effectively linking Asian markets and North America. When Prime Minister Harper launched the APGCI in October 2006, the Government indicated that the approach was based on the national significance of growing international trade and commerce volumes. The direction was reinforced in November 2006 by *Advantage Canada*, the Government's economic plan. It noted that high-quality, modern public infrastructure that allows people and goods to move freely and efficiently is essential to Canada's long-term prosperity, with the infrastructure that underpins gateways to foreign markets being especially important.

American manufacturers and the agricultural transportation industries are increasingly aware of the increasing competition they face improving the transcontinental transportation system to allow American goods to more efficiently and more cheaply reach markets particularly in Asia.



Nautical miles from major Asian cities to major North American ports

	Hong Kong	Kaohsiung (Taiwan)	Shanghai (China)	Kobe (Japan)	Tokyo (Japan)	Yokohama (Japan)	Busan (South Korea)
Prince Rupert	5,286	5,066	4,642	4,091	3,830	3,812	4,173
Vancouver	5,777	5,516	5,092	4,541	4,280	4,262	4,623
Seattle	5,768	5,500	5,101	4,527	4,272	4,254	4,607
Tacoma	5,790	5,520	5,105	4,549	4,293	4,275	4,627
Oakland	6,050	5,807	5,500	4,820	4,554	4,536	4,922
Los Angeles	6,380	6,111	5,810	5,185	4,857	4,839	5,230

Source: Maher Terminals



Port of Alberta:

**Strategic Gateway in the Emerging Asia-North America
Trade and Transportation Landbridge**

Combining the efficiencies of air, rail and road transportation at Edmonton’s International Airport (EIA) is the "Port Alberta" initiative, which will be introduced in stages and scheduled to be completed by 2010. This is an "inland port" serving as a multi-modal transportation hub. Its key advantage is in combining a range of transportation modes in one location with direct access links to West Coast ports at Vancouver and the new deep-water port of Prince Rupert.

As the closest port to Asia by up to 58 hours of sailing time compared to any other West Coast port in North America, the Port of Prince Rupert gives shippers approximately one extra round-trip voyage per year. Prince Rupert has the deepest harbor in North America is suited to accommodate the post-Panamax class of container Megaships China is building. Prince Rupert can make the following claims ³:

- Year-round service - ice-free harbor and no congestion;
- Closest port to open ocean - minimizes pilotage time in Canadian waters and reduces costs;
- Two modern bulk handling terminals, for handling grain, coal, sulphur and iron ore;
- High-capacity state of the art container terminal operated by New Jersey’s Maher Terminals;
- Connected to the North American continent by CN rail, serving 17 intermodal terminals across Canada and the U.S. Midwest;

The result is new efficiency, reduced waiting times and direct customer links to the global market, and particularly the dynamic economies of China, India, Japan and South Korea.

Port of Prince Rupert and National Security Considerations

Ed Badolato, president of Integrated Infrastructure Analytics, Inc., Washington, D.C., and former Assistant Secretary for Energy Emergencies at the Department of Energy during the Reagan administration had this to say about Prince Rupert:

“The global maritime industry is currently undergoing major sea changes in terms of reconciling the dynamics of globalization, the spiraling demand for maritime transportation assets, and responding to complex container security threats that drive national security strategies. Canada’s Port of Prince Rupert is rapidly expanding its maritime container handling capacity, and it’s container through put is unlikely to slow down in the foreseeable future. The Prince Rupert Port Authority’s highly efficient supply chain network-of-networks and it’s state of the art container security technology, such as that used in the Container Security Initiative and the Customs-Trade Partnership Against Terrorism (C-TPAT) is fostering a North American intermodal transportation system that has the capability to service to U.S. distribution centers from Chicago to New York.”

³http://www.leduc-nisku.ab.ca/newsletter_detail.asp?aid=461



WASHINGTON, D.C.

TRADE MISSION 2008

The Port Of Alberta

Edmonton wants to capitalize on its untapped potential: The largest airport (in terms of land) in Canada with scheduled air service and two long runways capable of landing virtually any aircraft flying including the new Airbus A380, the world's largest passenger aircraft. It's also highlighting its location next to Canada's largest industrial park, the Nisku Business Park, the second- largest oil and gas manufacturing park in North America after Houston.

EIA handled 4.34 million domestic passengers during 2006, up from 3.77 million in 2005, for a 15.2 percent gain. It counted another 693,378 passengers to and from the United States, a 16.6 percent hike over the previous year. And international routes included 171,745 air travelers, up from 143,696 in the previous year, a 19.5 percent increase.

Edmonton's status as a regional air hub is growing, with a 44 percent increase last year in passengers from the likes of Grande Prairie, Fort McMurray, Saskatoon and Yellowknife connecting to flights for other destinations. Cargo services are also climbing, up 14 percent from last year. During 2006, 13 new non-stop routes were added to Edmonton's schedule, bringing the total to 48. As a result of all the gains, the authority said it expects to top 5.5 million passengers this year.

Edmonton International is connected by non-stop flights to 10 U.S. destinations: Chicago, Denver, Palm Springs, Los Angeles, Las Vegas, Minneapolis, Phoenix, Salt Lake City, San Francisco and Seattle. In the next five years the airport authority will invest \$200 million at Edmonton International, enabling it to serve 7.5 million passengers annually, and taking its future capacity requirements out as far as 2020. Terminal expansion is set for 2010 completion.

According to Glen Vanstone, Director of cargo and business innovations for Edmonton Airports⁴:

"What this does is it allows us to function effectively as a gateway to and from Asia, Canada's North, the oil sands, and for all of North America. It's a new strategic link in the global supply chain. We recognize that the Edmonton market is vastly underserved in terms of air cargo. Currently the air cargo market in Alberta is growing, but what we want to do is make sure we're positioned so we can capture all the air cargo growth potential for the Greater Edmonton Region. Air traffic from Europe to the Western U.S. crosses over Edmonton, and from Asia to the U.S. Midwest and Eastern U.S. Being at the intersection of these major routes or air tracks is very strategic. The Edmonton area is one of the hottest localized economies on the planet right now. Comparably, Alberta ranks with China and India in GDP growth. For businesses to be sustainable in an ever-increasingly globalized economy, a very competitive environment, we really have to have hyper-efficient transportation links. Port Alberta does that. You need an enhanced ability to move goods in and around the world. We could sit back and say, this oilsands economy is pretty good. But I look at it and say, oilsands and pipeline development is great, but there's a global economy out there. And we're thrust on the global stage because of this resource development. That enables us to compete globally in diversified markets, manufacturing, biotechnology, sciences. Port Alberta is the thing that's going to make our economy sustainable over the long-term."

Additionally the Calgary Airport Authority recently approved a 10-year cargo and logistics development plan. Stephan Poirier, vice-president of business development for the Calgary Airport Authority, said "For us, the most important thing is to increase our profile and try to attract logistics operators. If we do not connect this country with the rest of the world we are falling behind."

⁴http://corporate.edmontonairports.com/business_at_the_airport/port_alberta



WASHINGTON, D.C. TRADE MISSION 2008

The Inland Port

John Vickerman, a U.S.-based ports expert has pointed out:

- That expected increase in container traffic arriving in North America by 2020 would exceed current capacity at U.S. ports by 200 per cent and that U.S. shipping companies already complain about container traffic stalled in a "two-day black hole" in Chicago, as containers get transferred from the western U.S. rail network to the lines that serve the eastern part of the country.
- Canada's two rail companies -- CN and CP -- could be moving 106 million tonnes of intermodal freight by 2020, which is more than 10 times what is currently moved (2006).
- The U.S. West Coast port at Long Beach has run out of room and would need to find more than 3,600 additional acres somewhere to handle growth. Using the test case of the Port of Tacoma in Washington, the studies for the U.S. military showed that building inland transfer ports could relieve pressure dockside at actual ocean ports and speed the movement of ocean containers to their final destinations inland.
- Inland container ports in the United States have become hubs for secondary manufacturing and warehousing companies which have set up nearby.

Alberta Premier Ed Stelmach spoke in March, 2007 about the vision of the North America's Strategic Gateway:

"It's no secret that our province relies tremendously on exports to generate wealth and economic growth. In 2006, Alberta exported more than \$80 billion worth of commodities and value-added products. Exports to Asia have increased by more than 50 per cent over the last five years. And given the distance to major markets, Alberta shippers rely heavily on efficient transportation links to remain competitive... So our government sees the Port of Prince Rupert as offering a new and extremely effective route for container traffic — especially to Asian ports. Prince Rupert offers a huge advantage, like sailing times to Asia that are one-and-a-half days shorter than from Vancouver, and about three days shorter than from Los Angeles. With the expansion of the Port of Prince Rupert, we can establish Alberta as an important inland terminal and distribution hub. The federal government predicts that by 2020 container cargo coming through British Columbia ports is projected to increase by up to 300 per cent — from 1.8 million containers to as many as seven million. And Alberta could serve as an essential link in a supply chain that would be efficient and reliable."



WASHINGTON, D.C.

TRADE MISSION 2008

America's Interest & The Port of Alberta

It is in the U.S. national interest to facilitate America's transportation infrastructure with an integrative approach to the Asian-North American gateway at the Port of Alberta, which in turn means increasing the capacity for ports, airports, rail, and road links across North America not just to meet current demand but also to anticipate projected growth. Integrating the Port of Alberta concept into U.S. national economic calculations can help offset the risk of disruptions that face America's West Coast ports because of labor problems, natural emergencies, and the steep volume of trade.

The integrated supply chain concept or strategic gateway is meant to secure not only speed of delivery but certainty of delivery, thereby creating a competitive advantage for those who use this 21st century commercial trade and transportation system. The Port of Alberta will expand market access, reduce congestion, and reduce bottlenecks that are currently inhibiting economic growth. America's interest in the development of the Port of Alberta will boost American commerce with Asia, improve the reliability for U.S. exports to the Asian markets, and connect the United States further with Asia and its rapidly expanding markets.