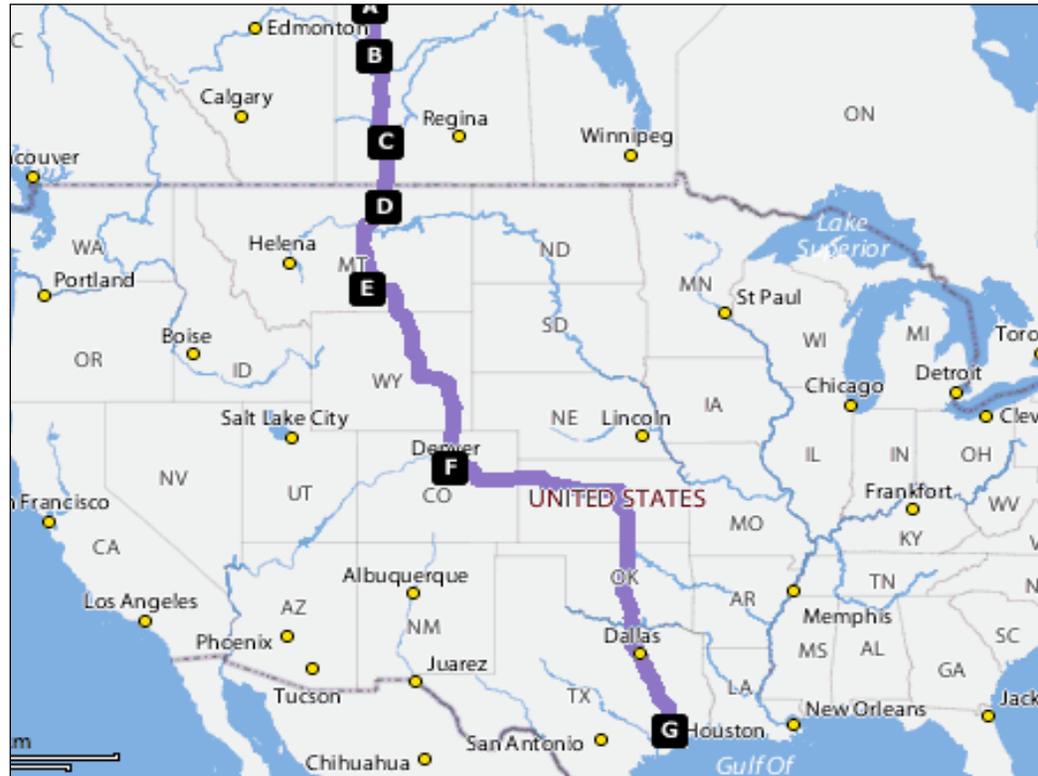


Building Saskatchewan's Western Trade Corridor



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1.0 Introduction

1.1 – Background

Groups in Montana and Southwest Saskatchewan have been looking at the idea of creating an inter-regional corridor for enhanced trade since 2000. This concept has had a growing base of support in both Saskatchewan and Montana. In Montana the PhillCo Economic Growth Council and the Malta Area Chamber of Commerce in Montana have been working to develop a North/South Transportation Corridor that would include the Port of Monchy/Morgan as well as Highway #4 in Canada and Highway #191 in the United States. Community Futures Southwest and their partners of the North South Trade Corridor committee “Crossing the Medicine Line” have been meeting to develop the case for one or more commercial 24-hour ports in southwest Saskatchewan and Montana to improve the economy and trade relations.

1.2 – Developing a Trade Corridor

To develop a proper trade corridor that would be effective for industry two investments must be made. First, Highway #4 must be brought up to a primary weight status which would require the rebuilding of approximately 80 km of road. Second, commercial border services must be developed at the Monchy/Morgan port joining Saskatchewan’s Highway #4 and Montana’s Highway #191. These two investments would address the two major challenges in the region;

1. Lack of proper infrastructure to support a north south primary weight trade corridor in Western Saskatchewan.
2. Lack of commercial border services between the ports of Raymond/Regway, SK and Coutts/Sweet Grass, AB.

Based on interviews with the transportation sector, Highway #4 is essentially unusable in its current state. With the limited hours and port access as well as the condition of the road, the highway is not useable for commercial trade.

1.3 – Overview of Rationale

Investments into a commercial port as well as upgrading Highway #4 to primary status would facilitate increased trade in the region, reduce travel time for exporting and importing industries, create additional demand for private sector transportation services, enhance tourism access, and enhance regional economic opportunities.

There are several regional and provincial advantages to investing in a Western Saskatchewan Trade Corridor. Some of the key advantages are outlined below.

- Leveraging a provincial investment that must be made to achieve federal investment in Saskatchewan's border infrastructure.
- Enhancing economic cooperation and trade with Saskatchewan's largest trading partner, the United States
- Remediating a gap in Saskatchewan's border infrastructure given the 600 km between the commercial ports currently.
- Building some redundancy into Saskatchewan's border accessibility to ensure north south-trade continuity in the event of a closure of Saskatchewan's eastern commercial ports.
- Building a western primary weight corridor to ensure the western side of the province is provided with an appropriate level of service to efficiently move goods north and south both internally and internationally.
- Ensuring that the transportation system in the Southwest supports the regional economy in a way that is required in today's economy.

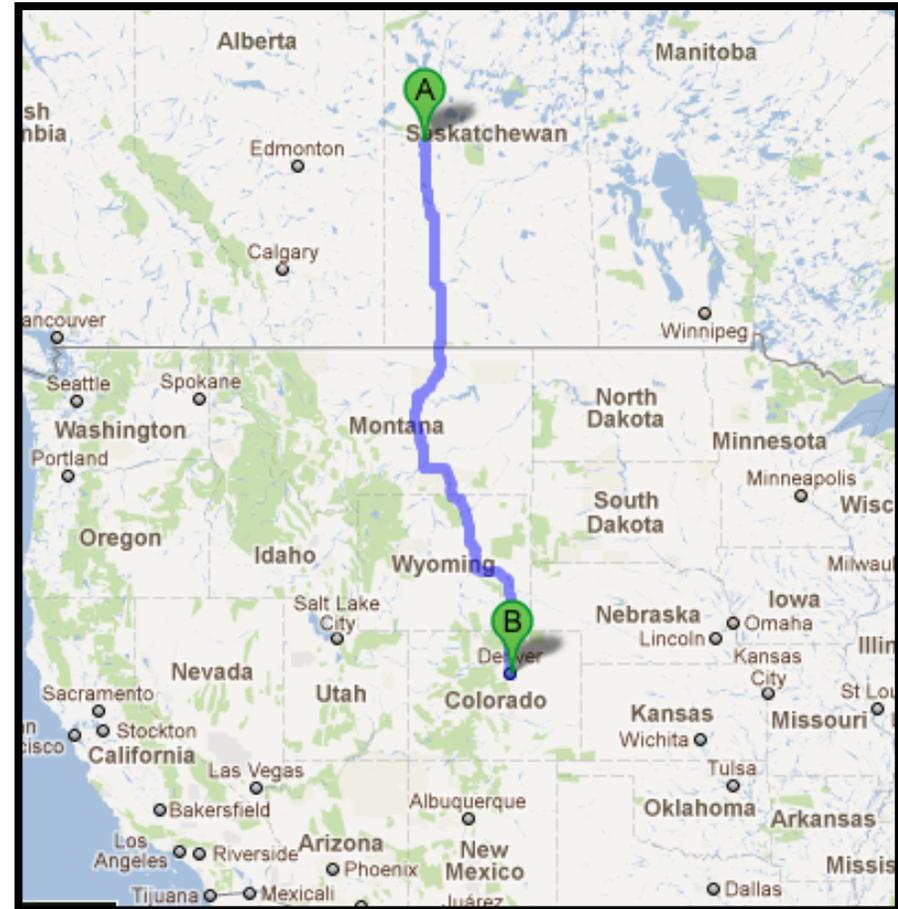
Lastly, it is important to note that this type of investment leads to the construction of an inter-regional and international road network that make sense on both a local and provincial level. Building on a growing export based economy is key to maintaining Saskatchewan's economic momentum. As this analysis shows, export and trade are seen as critical at the national level in terms of helping Canada and the United States emerge from recession. In Saskatchewan, focus must be maintained on continuing strategic investments.

2.0 Western Saskatchewan Primary Weight Corridor

2.1 – Building a Transportation System that Works for Industry

One of the most compelling reasons for investing in upgrading Highway #4 is the completion of an international 1,915 km primary weight corridor of which only 80 km of which are not primary weights (the area near the town of Cadillac in Saskatchewan). From Meadow Lake, Saskatchewan to Denver, Colorado the distance is 1,915 km as shown on the adjacent map. Denver is a major transportation hub in the United States from which virtually all regions are accessible including direct linkages with bordering Texas, another major oil and gas economy.

Highway #191, connecting on the US side of the Monchy/Morgan port, is a primary highway¹. If investments were made into upgrading the last 80 km of highway on the Saskatchewan side there would be a primary weight trade corridor extending from Northern Saskatchewan to the heart of the US oil and agricultural region. The following outlines the advantages of having a primary weight trade corridor with the United States.



¹Highway 191 has very little weight restrictions as there are no bridges weight restrictions and it is a primary federal highway.

2.2 – Trade with the United States

Truck trade with the United States has become a major component of Saskatchewan’s economy. The value of goods moved to the United States via truck has risen 122% since 2000 from \$3.7B to \$8.1B in 2010. The following table shows the growing economic importance of truck trade with the United States.

Value in Billions (US\$) of Cross Border Trade Moved by Truck from Saskatchewan to the U.S.						
2000	2005	2006	2007	2008	2009	2010
\$ 3.664	\$ 5.181	\$ 6.064	\$ 6.823	\$ 8.474	\$ 6.649	\$ 8.141
U.S. Bureau of Transportation Statistics						

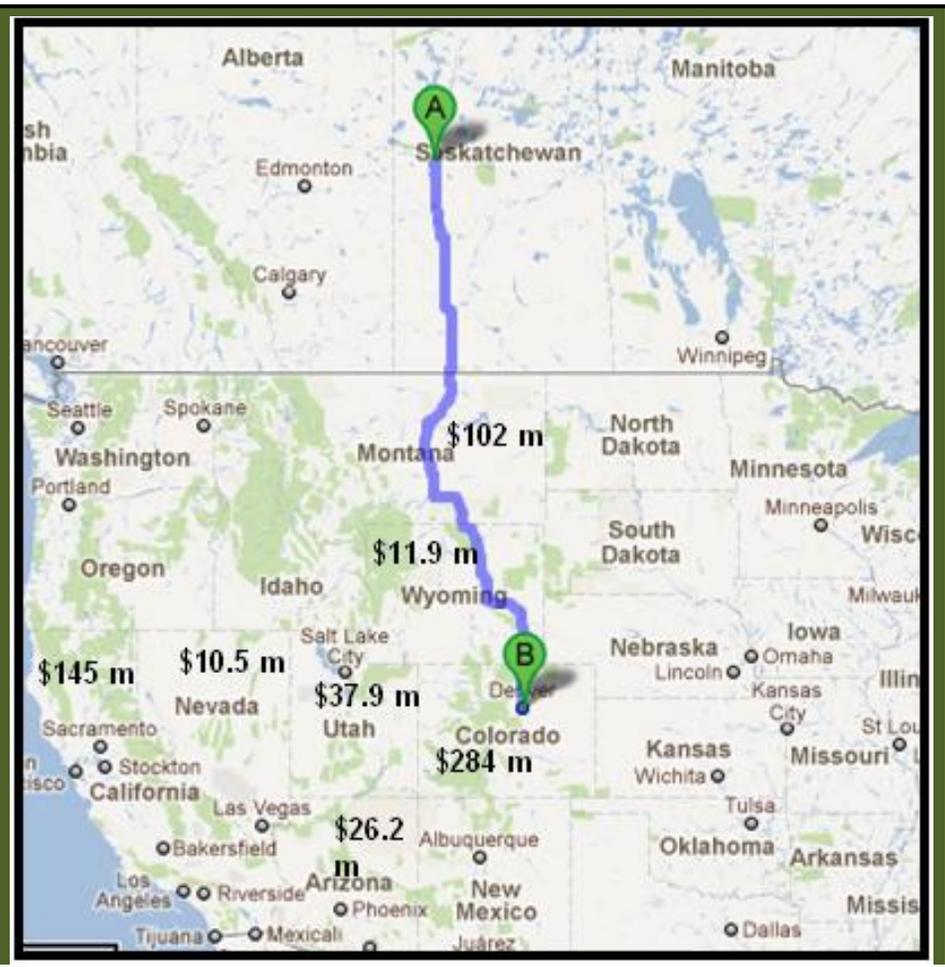
In terms of goods traded, the following table shows the total value of goods moved by truck from Saskatchewan to the United States.

Value in Billions (US\$) of Cross Border Trade Moved by Truck from Saskatchewan to the U.S. – By Product			
	2000	2010	Change 2000-2010
Oil Seeds	\$30.69	\$69.57	126.69%
Fertilizers	\$79.27	\$155.21	95.81%
Live Animals	\$107.58	\$191.11	77.64%
Inorganic Chemicals	\$67.20	\$224.77	234.49%
Plastics and Articles Thereof	\$130.85	\$236.34	80.62%
Miscellaneous Chemical Products	\$155.46	\$251.16	61.55%
Articles of Iron or Steel	\$124.22	\$444.31	257.67%
Electrical Machinery and Equipment	\$145.20	\$494.90	240.84%
Mineral Fuels	\$90.58	\$606.38	569.41%
Vehicles, Other (including Agricultural Equipment)	\$452.56	\$1,200.17	165.20%
Nuclear Reactors, Boilers and Nuclear Fuel	\$906.90	\$2,890.05	218.67%
U.S. Bureau of Transportation Statistics			

The port would be utilized primarily for trade with Montana, Colorado, Wyoming, Utah, Nevada, Arizona, and California as these are the destinations that would realize the biggest time savings if there were investments into this port. Saskatchewan exported \$619.0 million in goods by truck to these states collectively in 2010. The following table and map show the total exports by truck to the selected States.

Total Saskatchewan Exports to Selected States 2010	
State	Value
Montana	\$ 102.5
Colorado	\$ 284.6
Wyoming	\$ 11.9
Utah	\$ 37.9
Nevada	\$ 10.5
Arizona	\$ 26.2
California	\$ 145.4
Total	\$ 619.0

Source: U.S. Bureau of Transportation Statistics.



2.3 – Impacts the Dismantling of the Canadian Wheat Board

It is likely that the dismantling of the Canadian Wheat Board will create additional demand for north-south trade as grain sellers will be looking to new markets for their grains. One of the advantages associated with the dismantling of the Canadian Wheat Board would be giving farmers the ability to sell grain to the highest bidder. However, given the access Western Saskatchewan has to US markets, it is likely the access to US markets will be hampered for the near term. Without access to primary weight corridors, hauling distances to get grain to US markets will make it less economical for producers in the Southwest to look to American grain markets to sell their products.

3.0 Leveraging Federal Investment

There is currently broader thinking about investing in key gateways in both the United States and Canada. It is widely acknowledged that Highway #4 requires upgrading and investment and there is currently a window of opportunity to take the provincial investments that must be made and leverage them to create additional federal investments into the border infrastructure. There is an opportunity to engage in proactive coordinated investments between federal and provincial/state bodies that work towards supporting industry and cross-border trade as opposed to fragmented investments and misaligned trade and security objectives.

In Canada the Federal Government, as part of the 2011 Federal Budget renewed funding to the INVESTING IN GATEWAYS strategy. The strategy focuses on gateways and trade corridors recognizing that they are essential components of a strong and competitive economy. While the strategy has primarily focussed on investments in Atlantic Canada, Ontario, and Quebec, the same argument could well be made for investments in Saskatchewan's trade corridors. International trade and exports is the basis for Saskatchewan's economic growth and the foundation of the economic future for Canada. Saskatchewan's ports are of less national strategic value relative to other coastal ports, however, Saskatchewan's economic growth is a growing part of Canada's economy. As well, the level of investment required in a Saskatchewan port is very small relative to investments being made elsewhere.

As well, there are a wide array of plans in the United States regarding border security and trade. Some of which involve additional investments into the border infrastructure. A recent report² by the Department of Homeland Security and Customs and Border Protection identified the environmental impacts of various scenarios being considered for the Canada US border. The report identified plans for enhancing security at the border including one which involved greater investments into border ports.

² Programmatic Environmental Impact Statement for Northern Border Activities, September, 2011 US Department of Homeland Security and US Customs and Border Security.

Another consideration is the construction of the Keystone Pipeline through the Monchy/Morgan Port. This will increase security concerns at the port already making it more cost effective to develop a commercial port at this port. Given the heightened attention to border security and international trade there is a window of opportunity in which such an investment aligns with both Canadian and US federal governments' policy.

Overall, there appear to be windows of opportunity at the federal level in both the United States and Canada in terms of border investments. The Perimeter Security Agreement between the United States and Canada could create opportunities for additional border infrastructure investments. It is critical to these types of projects to be on the radar for federal governments so that they are considered throughout the discussions.

4.0 Enhance Trade and Economic Cooperation

4.1 – International Trade Cooperation

Montana has identified increased trade access with Canada as a key priority. To that end, there has been several examinations of ways to increase trade through enhanced road networks. A recent report completed for the Montana Department of Transportation looked at the impact of Canadian economic development on highway infrastructure and specifically border access. The report titled Impact of Canadian Economic Development on Northern Montana Highways (April, 2010) analyzed the highway infrastructure with respect to trade with Alberta and Saskatchewan.

With respect to border access the report found that, on a sheer volume basis, the two existing ports (Coutts/Sweet Grass and Raymond/Regway) were sufficient. However, it was also found that the great distance between these two commercial ports of entry was an impediment to industry and trade in Montana, Alberta and Saskatchewan. Further, it was suggested that an additional one to two 18 to 24-hour commercial ports be developed between the existing commercial ports.

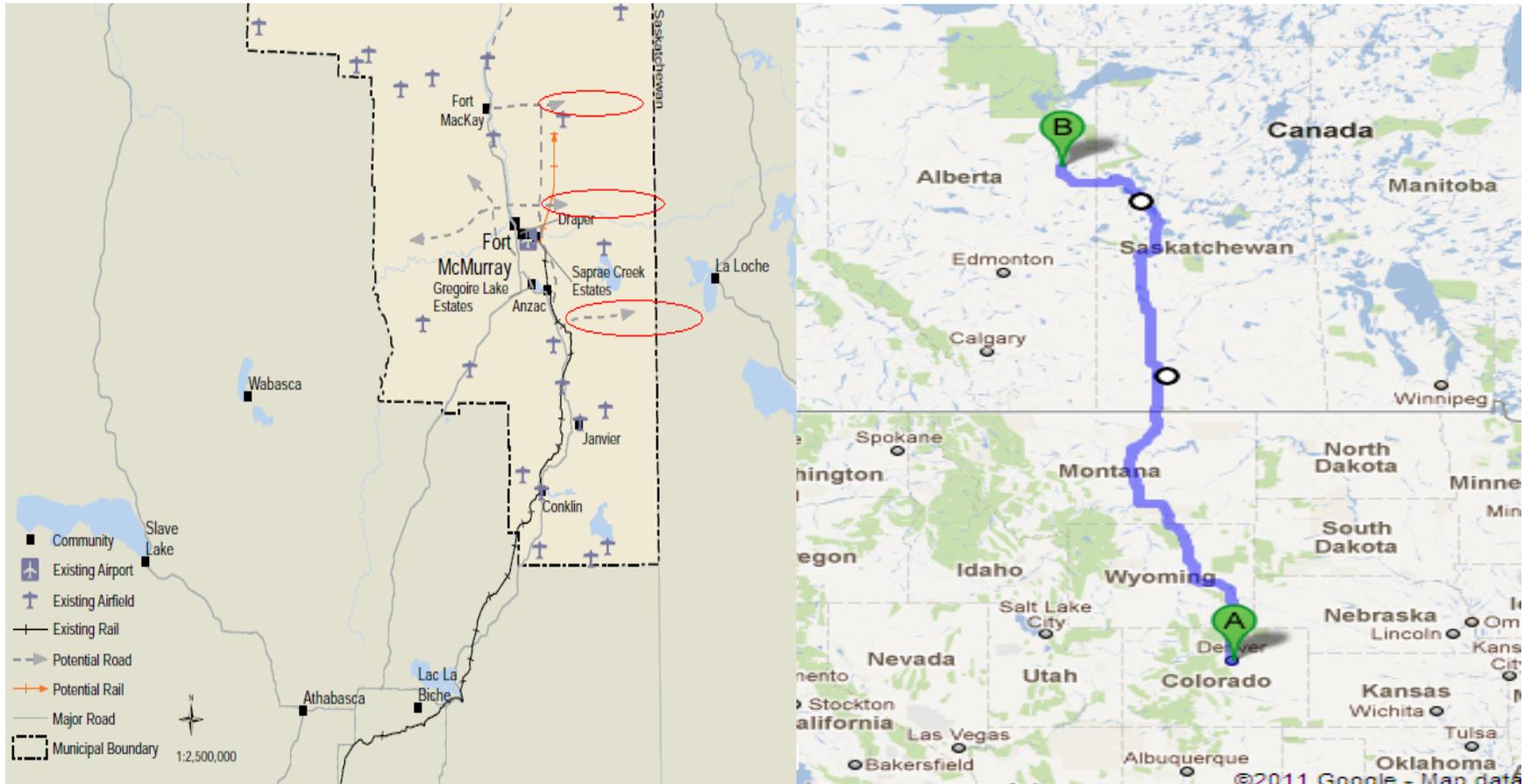
As well, Montana has recently passed a Bill that requests that the Federal U.S. Customs and Border Services extend hours at the Monchy/Morgan port as part of an overall effort to enhance cross-border trade. Bill HJ 17 was moved by Representative Wayne Stahl and was passed unanimously. The Bill has since been advanced to the Federal Government in Washington. As in Saskatchewan, the final decision around border services rests with the Federal Government. The state and provincial governments can only make requests and recommendations regarding border services.

4.2 – Interprovincial Cooperation

According to the most recent Municipal Development Plan for Wood Buffalo (the Fort McMurray region of Alberta) a key priority for regional transportation is a linkage with Saskatchewan. The proposed linkages would connect with Highway #155 in Saskatchewan. Highway #4 is the north-south connector for Highway #155/#55. The primary reason for these connections would be to provide an alternative route to the already over-used highways leading to Fort McMurray (Highways #881 and #63). As these are the only two roads leading to Fort McMurray, congestion and oversized loads are major issues. For that reason, an alternative route is needed for the region. Highway #4 in Saskatchewan would be the most direct north-south route if this connection were made.

The following maps show the Regional Municipality of Wood Buffalo's Municipal Development Plan map of future transportation plans on the left and to the right is a Google Map path that identifies the highway directions that could be used if the La Loche road was completed to Fort McMurray. Wood Buffalo's development plan identifies three roads that could potentially hook into Saskatchewan highway infrastructure, all of them leading to Saskatchewan's Highway #155.

Map of Fort McMurray, Wood Buffalo Alberta Regional Plan for East-West Transportation Linkages With Saskatchewan and Google Map Showing the Direct Route Between Denver and Fort McMurray Through the Monchy/Morgan Port



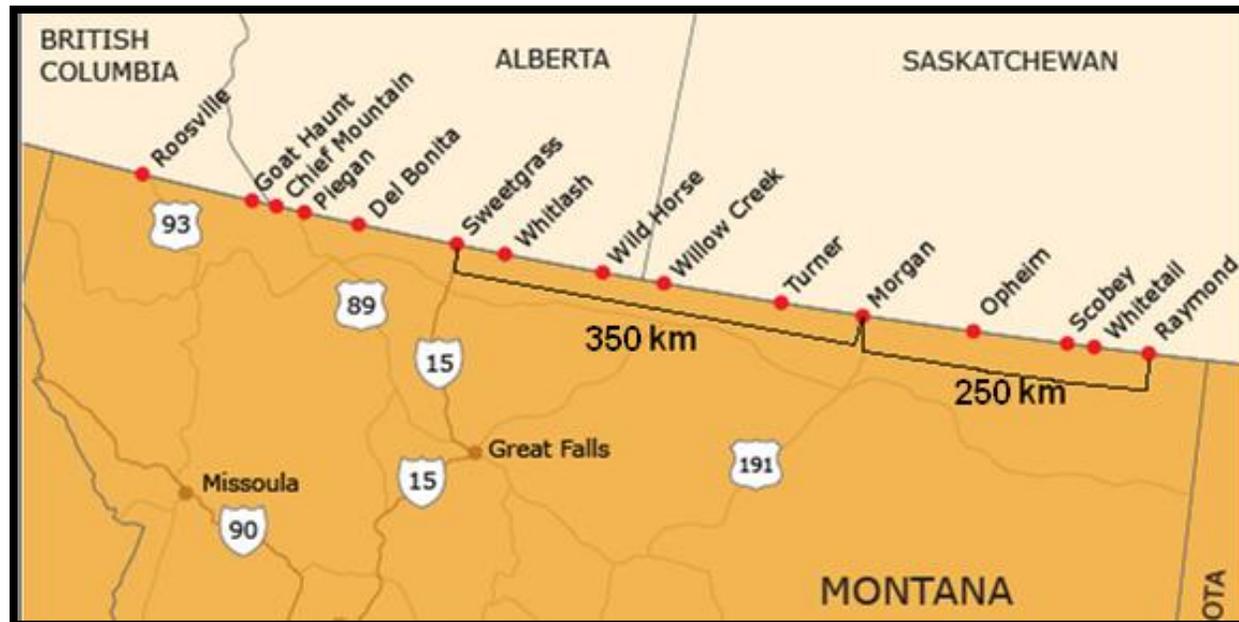
As the above map demonstrates, once east-west road access is established in Northern Saskatchewan the port of Monchy/Morgan would be a direct route to access Fort McMurray. This access is considered key for the Municipality of Wood Buffalo that is currently looking for transportation solutions regarding overcrowded highways leading to Fort McMurray.

5.0 Remedy the Significant Distance Between Commercial Ports

5.1 – Barrier for Industry

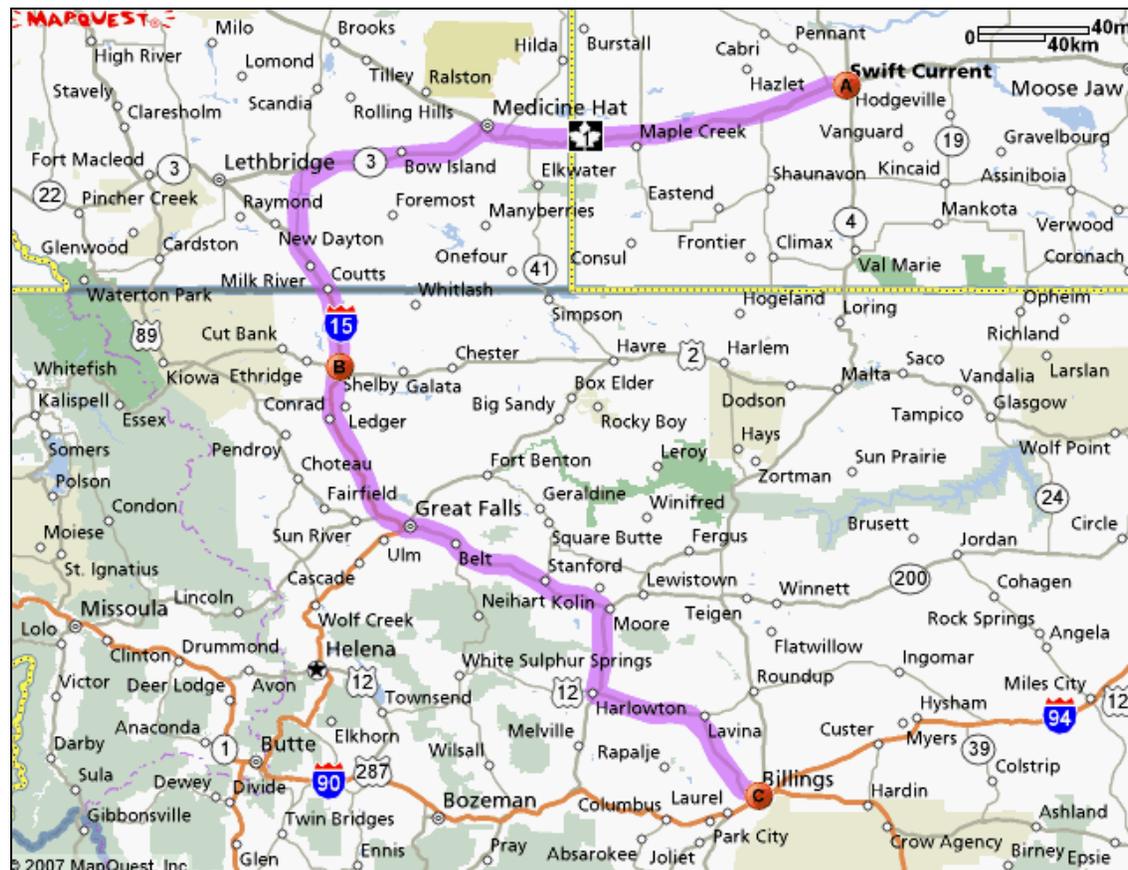
Based on interviews with the trucking industry, the industry indicated the condition of Highway #4 and the hours of the port make this road basically unusable for industry. The lack of primary weight status as well as the physical condition of the road make Highway #4 unusable by industry resulting in increased travel times for goods being moved north or south in the region. Currently, the distance between the commercial ports is 600 km with the Morgan Port being nearly in the middle as the following map shows.

Distance Between the Ports of Raymond, SK and Sweetgrass, AB



If you compare direct travel between Swift Current, SK and Billings, MT the route is around 600 km and would take approximately 6 hours and 40 minutes, and would cost around \$250. However, if a commercial port is required the nearest port would be Coutts/Sweet Grass in Alberta. This route is 418 km longer as the following map shows. The additional fuel costs would be \$178 as well as adding 4 hours and 33 minutes to the trip each way.

Route to Move Goods from Swift Current, SK to Billing, MT Via a Commercial Port



Similarly, the Regway/Raymond commercial port is 400 km longer. The difference in fuel costs would be \$170 adding an additional 4 hours and 33 minutes to the trip each way. If Wild Horse were to become a commercial port the trip would still be over 8 hours costing an additional \$133 each way and adding an hour and a half of travel time.

The time savings is not limited to regions directly south of Saskatchewan. For instance, the distance between the new Global Transportation Hub in Saskatchewan and Los Angeles, CA is much different based on the different trip routes. Going through the Monchy/Morgan port the trip is 2,660 km, however, the same trip routed through the Coutts/Sweet Grass port is 2,950 km or nearly 300 km longer.

5.2 – Build Redundancy

Building in redundancy into a road system that only has commercial port access in one area of the province would help insure against long-term disruptions to commercial transportation in Saskatchewan. Currently, the two commercial ports in Saskatchewan are located in the eastern part of the province. While there are currently no sustained congestion issues at these ports, having the only commercial ports located within the same region (Eastern Saskatchewan) does not allow for a stable and wide-reaching cross-border commercial access. Having the existing commercial ports located close together can create service issues if the region is affected by flooding or other regionally based transportation challenges. Having a third commercial port located outside the region would ensure north south-trade continuity in the event of a closure of Saskatchewan's eastern commercial ports.

6.0 Impact of Highway Investments and Enhanced Border Services

6.1 – Increased Competitiveness of Saskatchewan Industries

Given the shortened travel times and more direct export and import routes, Saskatchewan companies will become more competitive in terms of international trade. As stated previously, the savings on a per trip basis would be significant, however, the more significant impact would be in terms of opening new markets for Saskatchewan goods by creating greater access to cost effective destinations. Saskatchewan's export economy has been the driving force behind much of the economic expansion in Saskatchewan. Supporting ongoing growth of exports is essential to maintaining economic momentum.

6.2 – Increased Cross Border Traffic and Transportation Services

According to a recent Montana Department of Highways study, traffic at the Monchy/Morgan border crossing would increase between 78% and 101% by 2030 if the port had commercial status.

Projected Southbound Borders Crossings 2010-2030					
	2008-10	2,015	2,020	2,025	2,030
Morgan Medium	7,050	8,439	9,986	11,255	12,549
Morgan High	7,050	9,016	11,208	12,738	14,202
Source: Impact of Canadian Economic Development on Northern Montana Highways, MDT.					

As the foregoing is based on no investment into road infrastructure, a shift in port status combined with an investment into the road infrastructure would trigger an increase in traffic closer to the high growth scenario.

The foregoing projection for growth in border crossing does not take into account key factors such as growth of the Global Transportation Hub, a possible connection to Fort McMurray via Highway 4, a growing regional and provincial economy, growing demand for Saskatchewan exports, and a strong regional exporting agricultural and manufacturing industry. Highway border crossing demand would be much stronger than any current modelling would predict as economic growth in the province relies substantially on export potential.

Along with an increase in traffic would be an increase in the need for transportation services. The development of transportation services such as gas stations, rest stops, hotels, and other amenities would build the tourism infrastructure and support visitation to the region. Tourism has long been held as a sector in the Southwest that holds significant potential. Building a travel infrastructure that could support tourism would boost the industry.

6.3 – Support Growing Truck Trade with United States

The value of goods shipped from Saskatchewan to the United States via truck has risen 122% since 2000 from \$3.7B to \$8.1B in 2010. Changes to the Canadian Wheat Board, increased energy production, and a growing manufacturing sector should continue to drive the truck trade. International connectivity is key to maintaining trade and building export markets. Developing a primary weight trade corridor with commercial port access on the western side of Saskatchewan will help sustain the growth in exports and help Western Saskatchewan build stronger trade ties with American counterparts.

6.4 – Objectives and Outcomes

Overall the objective of this analysis is to request that the Province work with the Federal Government to enhance borders services as well as upgrade the last 80 km of highway to complete a primary weight corridor between Meadow Lake, Saskatchewan and Denver, Colorado.

One of the first key steps would involve working towards the adoption of Highway 4 into the National Highway System which would allow the highway to be considered for investment under the Gateway Corridors portion of the

Provincial Transportation Strategy. The second step involves a proposal to the Federal Government asking to sign a memorandum of understanding to undertake an enhanced analysis of developing a commercial 24 hour port at the Monchy/Morgan crossing or in Southwest Saskatchewan in general. This proposal would likely fall under the Federal Gateways and Corridors Initiative that looks at facilitating international trade. Commitments by the provincial government to invest in upgrading Highway 4 to primary status could be used as leverage to obtain commitments from the Federal Government to enhance border services. There is likely no better time to get this type of proposal before the respective federal governments as both Canada and the United States are re-visiting border policies. Coordinating the upgrading of Highway 4 with a proposal to the Federal Government for enhanced border services could leverage provincial highway infrastructure investments to create an inter-regional road network that really works for and supports industry.