

REMARKS TO THE ROTARY CLUB OF WINDSOR (1918)

BUILDING AN INTERNATIONAL BUSINESS REGION

MONDAY, MAY 13, 2013

CABOTO CLUB, WINDSOR, ONTARIO

Thank you, Kay. It is a great pleasure to be here at the Rotary Club of Windsor (1918). I assume that name implies that you have a big anniversary coming up in a few years. Maybe we can celebrate it with a big party at a new bridge, but I am getting a bit ahead of myself.

Not that long ago, it would have seemed a bit odd to those of us in this area that we would even have to consider “building” an “international” region. Until rather recently, most Windsorites and Detroiters would refer to crossing the Detroit River in much the same way that other people talk about going a few streets over to visit friends. For years, we routinely travelled across the river for meals, shopping, cultural, and sporting events. There was nothing “international” about it, except maybe for the funny looking currency.

That all changed, of course, on September 11, 2001. The “thickening of the border”, as it is sometimes referred to, quickly occurred thereafter, and it both reminded us that there really is a border here, and fundamentally changed the way we live and conduct business in our region.

Before we lament the rise of Fortress America or Canada, and long for the Good Old Days, it is important to consider that perhaps we took our international business region for granted. While it may have been nice to wave at the border agents as we crossed, we undoubtedly can also remember days when the border was short-staffed; the infrastructure was in decline; and delays and uncertainty were common for companies that relied on cross-border commerce. As we reflect back, it may be accurate to suggest that the border, and our international business region, was already in danger before 9-11.

A little background – the law firm I am with, Dickinson Wright, dates back to 1878, and we have acted for companies like Chrysler, Ford, Magna, Carhartt, Little Caesars, and JPMorgan Chase for many years, even decades. So, our firm been working with clients that have operations in Canada and the US probably since our founding; my office actually looks out across the river to Canada. Yet, it was not until 2011 that we actually fully set up shop over here by merging with Aylesworth, an even older law firm in Toronto, allowing us to offer “one-stop” cross-border services. I am proud of this accomplishment, but it is a bit funny that it took us so long to put this together, particularly given the opportunities that it has created for our clients.

We lawyers can be slow to adjust to the times, but maybe the same thing could be said of our business community. Despite the long tradition of cross-border activity here, it was not until 1992 that the Canada-US Business Association (or CUSBA) was established to help our companies interact in a collaborative and cooperative way. I am not suggesting that companies did not establish relationships on their own. It is fair to suggest, however, that our cross-border companies operated in a somewhat isolated way, as opposed to pulling together resources and interests to optimize our region's assets.

With the support of the Windsor-Essex Chamber, the Detroit Regional Chamber, the Canadian Consulate, and a number of other public and private partners on each side of the border, we re-launched CUSBA this past year, intending to draw attention to our common issues, and coordinate viable solutions. We believe that burdensome regulatory environments or infrastructure challenges don't have to be a cost of doing business.

Let's step back and remind ourselves of how large and special the US-Canada, and Ontario-Michigan, relationships are.

- The U.S. and Canada have the world's largest two-way trade relationship, with the value of goods and services between the two countries totalling over \$740 billion in 2012. That is over \$2 billion a day!
- Over half of Canada's international trade, and over two-thirds of Ontario's international trade, is with the US.
- Almost a quarter of Canada's trade with the US is with Michigan, Ohio, Indiana and Kentucky, right here in our backyard. And a quarter of Ontario's global trade – more than a third of the province's trade with the US – is with those four states.
- Disproportionately, that trade – both Canada's & Ontario's - is with Michigan.

The numbers are even more pronounced when we focus on exports:

- More than 30% of Ontario's exports to the world are to those four states, supporting over 700,000 jobs in those locations.
- And almost 30% of Ontario's exports to the USA are just to Michigan – more than with any other single jurisdiction in the world, except the US as a whole, of course. This trade sustains more than 230,000 jobs in Michigan, and a good number of jobs in Windsor, too.

And you probably know that almost half of that entire, massive two-way trade crosses the Michigan-Ontario frontier, either at Sarnia-Port Huron, or Windsor-Detroit.

I periodically remind my fellow Michiganders of these numbers – and encourage them to recognize how central they are to the world’s largest two-way trade relationship. Frankly, the same message applies to businesses and communities in south-western Ontario.

And let’s broaden our view a bit – for all of the continuing talk of our region’s Rust Belt decline, if you combine the economic activity of the six states and two provinces that surround the Great Lakes, you have the fourth largest economy in the world, even though it would be only the 12th largest nation in terms of population. We are still a leading international business region.

These geographic and business facts translate into both responsibility and opportunity. We cannot take this for granted – there are many on-going efforts that deserve our encouragement. Let’s review a few and see where they stand.

The Detroit-Windsor tunnel has undergone significant upgrades over recent years. Customs plaza work was completed last year on the Detroit side. It is now underway on the Windsor side. Although this is disruptive, those investments create jobs right now. And the modernization will sustain economic activity and jobs going forward.

A new double stack rail tunnel is a project that has been talked about for some time. The Government of Canada has invested considerably in the Gateways and Corridors Initiative and this is a key piece. The “Continental Gateway”, centering on the Ports of Halifax and Montreal, has drawn considerable investment. There is a compelling business case to tying the rail tunnel proposal to greater use of the Atlantic Ports. That would further many of the proposed benefits of the Continental Gateway Initiative.

The new Building Canada infrastructure support program, which becomes effective April 1, 2014, and for which applications will be taken next year, could help in this regard. I know that the Marge Byington is working hard on this one in an effort to secure support on the U.S. side, and that the same thing is happening on the Canadian side. In Michigan, Governor Snyder issued his transportation strategy at the end of 2012, and he sees the Canada-US gateway as key to the state’s future economic success.

It's hard not to feel optimistic about these projects. When and as they proceed, the short-term construction benefits for Windsor and Detroit would be significant. There would be disruption – but that is an inevitable part of economic development. The potential these would create, on both sides of the border, for value-added logistics opportunities, associated not only with US-Canada trade, but US-global trade through Canada, is considerable. Add in the upgraded Detroit port facilities, and the very real progress being made to develop the Aerotropolis concept out at Detroit Metro and Willow Run Airports, and a pattern develops.

Then there's the New Bridge – or the New International Trade Crossing. This project is the biggest single infrastructure commitment – in terms of dollars – that the Government of Canada has ever made. The commitment of the Ontario Provincial Government to this project is also large; they're paying for half the new Parkway, Canada for the other half. I saw the Parkway from an airplane coming back into town last night; it is an impressive project. When the bridge is done, it will benefit all of Central Canada, but particularly Windsor and southern Ontario. Again, short-term construction jobs – lots of them. But, longer term, there are other benefits to the bridge.

First, the Canadian jobs that would be in greatest jeopardy when the Ambassador Bridge ultimately can no longer serve, are right here, in Windsor-Essex and southern Ontario. Next, the environmental and community benefits that will come from less traffic on Huron Church Road, once the bridge is finally constructed. And, most importantly, the improved investment climate going forward. It's legitimate to worry that, if this new bridge isn't started soon, companies planning expansions or greenfield investments in this region, on either side of the border, will simply look elsewhere.

We in Michigan should be thankful for Canada's commitment to this project. I think you would all agree that it proved amazingly difficult to give a free bridge to Michigan. With the announcement on April 12 that the Presidential Permit has been issued, allowing construction to proceed, we can breathe somewhat easier. The defeat of the ballot initiative in Michigan last Fall; the clarification of some Buy American requirements; and now the Presidential Permit – all are very significant milestones. Getting the US Coast Guard Permit will be another one. Any maybe the biggest one of all will be the US Government's pending commitment to build a new customs plaza.

But the process is proceeding, and will proceed. Property acquisition will take place beginning this year – continuing well into 2014. This is to be a Public-Private Partnership, with the procurement process to be approved by the International Authority – which is to be established jointly by Canada and Michigan. Accordingly, a request for qualifications will be issued next year, and for construction proposals early in 2015. A consortium should be selected that year; construction should get underway in 2016. The governments always said this would take 4 years to build. Perhaps, therefore, it will be completed in 2019.

Let's look at some broader cross-border concerns. We have issues pertaining to water levels in the Great Lakes. This isn't necessarily an issue between Canada and the U.S.; it's a reality we are both having to face. After five years of studying the Upper Great Lakes, the International Joint Commission has just in recent days made public its report and recommendations. There was a great deal of Canadian public interest in this study, given recent record low water levels on the Upper Great Lakes, particularly around Georgian Bay.

And then there is ballast water. Years of cooperative scientific research have provided a basis for ballast water policy, regulation, and enforcement in both countries. Once again in 2012, one hundred percent of vessels entering the St. Lawrence Seaway from outside Canada's exclusive economic zone were inspected under a bi-national program before they entered the Great Lakes, and no non-compliant ballast water was discharged in the Great Lakes-Seaway system.

Canada recently ratified an international convention because the need exists for uniform international requirements. However, the U.S. has not ratified this, and even has different sets of federal and state rules. Canada is working on a proposed approach for moving forward, which it has recently released for public comment – well in advance of beginning the formal regulatory process. It is important for our two countries to maintain a level playing field for ballast water requirements that is both practicable and protective.

I'm going to close by briefly talking about the Beyond the Border plan that the Prime Minister and the President agreed to in December, 2011. This is a dense subject, but it is an important one, and really takes us full circle back to where I started – trying to re-create, or maybe create, the Good Old Days. This has several components, each with a great bureaucratic title, but all intending to Un-thicken our border.

The integrated Cargo Security Strategy is meant to address risks associated with shipments arriving from offshore – as early as possible.

The Joint Border Infrastructure Investment Plan coordinates available funding for targeted projects as well as the schedule, scope, & responsibilities for those projects. This results in regular consultation and coordination with local, state or provincial, & federal stakeholders.

Next, a Sarnia-Port Huron pilot program extends benefits of the Canada-based Partners in Protection program & the US Customs' Trade Partnership against Terrorism program. This truck cargo facilitation pilot will lead to the first test of U.S. pre-inspection at a Canadian land port of entry – a major development. This will focus not only on security issues, but also pollution prevention – invasive species and otherwise.

And there is more. The Regulatory Cooperation Council is concerned with initiatives pertaining to regulatory reform. There were a lot of accomplishments from this in 2012, including the joint inspection pilot program. Cross- Border Work Plans for the 2013-15 period were also completed last year. U.S. & Canadian regulations are significantly different in many areas – or risk being different in, for example, Intelligent Transportation Systems, if we don't act to ensure they are aligned. Being able to agree on a common standard would, in the view of both governments, yield considerable efficiencies, and maybe drive world-wide standards. As I mentioned before, CUSBA intends to be very involved with the Regulatory Cooperation Council.

This all continues a never-ending process to build an international region, one we have really been working on at least since shortly after the War of 1812.

However, we must be on the lookout for new challenges. For example, recently, the Department of Homeland Security raised the possibility of imposing a border fee. There also continue to be challenges with protectionism and Buy America sentiments, which either ignore or do not understand the interrelated nature of our economies. We need to work to have our voices heard, and build our region. That responsibility falls on all of us, but we must proceed together.

I thank you for your time and look forward to working with you.