

ONTARIO-US TRADE IN GOODS AND FREIGHT SERVICES: TRENDS, KEY CHALLENGES/ISSUES AND POLICY CONSIDERATIONS

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Purpose of the Paper

- Present the recent trends and patterns of Ontario-US trade in goods and freight services
- Identify the current key cross-border issues and challenges facing the freight modes
- Consider the implications for freight transportation policy development

Ontario's GDP and Exports

- Output/GDP has grown steadily over the past 8 years
- Value of International export of goods increased **70%** &
- Constitutes an increasingly important portion of GDP

Indicators (\$ Millions)	2009	2010	2011	2012	2013	2014	2015	2016
Ontario's GDP	597,876	630,983	659,740	680,086	695,354	726,053	762,029	794,835
International exports	147,766	168,183	180,481	187,069	189,796	208,197	235,524	249,544
Inter-provincial exports	38,838	38,222	40,315	38,551	42,064	38,622	36,846	38,555
International exports as % of GDP	25%	27%	27%	28%	27%	29%	31%	31%
International and Inter-provincial exports	186,604	206,405	220,796	225,620	231,860	246,819	272,370	288,099
<u>International</u> export of goods as % of total exports	79%	81%	82%	83%	82%	84%	86%	87%

Ontario's Exports to USA

- Value of Ontario's export to the US has increased **75%** &
- Therefore as a proportion of Ontario's output has become more significant: **26%** in 2016

Indicators (\$ Millions)	2009	2010	2011	2012	2013	2014	2015	2016
Ontario's GDP	597,876	630,983	659,740	680,086	695,354	726,053	762,029	794,835
International exports	147,766	168,183	180,481	187,069	189,796	208,197	235,524	249,544
International exports as % of GDP	25%	27%	27%	28%	27%	29%	31%	31%
International export of goods to the USA	119,200	134,161	141,395	148,229	151,598	168,376	194,158	206,556
International export of goods to the USA as % of GDP	20%	21%	21%	22%	22%	23%	25%	26%
International exports of goods to the USA as % of total export of goods	64%	65%	64%	66%	65%	68%	71%	72%

Ontario's International Exports

Breakdown: USA vs World

Exports to the US almost 83% of all Ontario exports

Countries	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Value (\$ Millions) and %										
United States	155,857	119,200	134,161	141,395	148,229	151,598	168,376	194,158	206,556	197,803
United States	82.59%	80.67%	79.77%	78.34%	79.24%	79.87%	80.87%	82.44%	82.77%	82.20%
Others	32,849	28,566	34,023	39,086	38,841	38,198	39,821	41,367	42,988	42,839
Others	17.41%	19.33%	20.23%	21.66%	20.76%	20.13%	19.13%	17.56%	17.23%	17.80%
Total All Countries	188,706	147,766	168,183	180,481	187,069	189,796	208,197	235,524	249,544	240,642
Total All Countries	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Ontario Exports Top Commodities

Ontario's Top 10 Exports 2017 (HS4 Equivalent)

<i>Autos</i>	24.89%	<i>Bread, pastry, cakes, etc.</i>	1.08%
<i>Gold – unwrought</i>	6.97%	<i>Furniture</i>	0.99%
<i>Motor vehicle parts</i>	5.30%	<i>Turbojets, turbopropellers, etc.</i>	0.97%
<i>Medications – packaged for retail use</i>	2.24%	<i>Helicopters, aircraft, and spacecraft parts</i>	0.90%
<i>Engines</i>	1.27%	<i>Seats</i>	0.83%

In 2017...



Total exports declined largely due to the fall of exports to the U.S.

Total imports increased largely due to an increased dependence on Chinese imports.

Top 5 export and import products were unchanged from the previous year.

China surpassed Mexico as the #3 most important exporting destination for Ontario.

	2012	2013	2014	2015	2016	2017
1 Autos	24.79%	Autos 24.17%	Autos 23.37%	Autos 23.75%	Autos 25.06%	Autos 24.18%
2 Gold	8.06%	Gold 8.41%	Gold 7.84%	Gold 6.57%	Gold 6.51%	Gold 6.78%
3 Motor Vehicle Parts	4.89%	Motor Vehicle Parts 5.13%	Motor Vehicle Parts 5.35%	Motor Vehicle Parts 5.40%	Motor Vehicle Parts 5.13%	Motor Vehicle Parts 5.14%
4 Medications-packaged for retail use	1.58%	Medications-packaged for retail use 1.83%	Medications-packaged for retail use 2.66%	Medications-packaged for retail use 2.81%	Medications-packaged for retail use 3.11%	Medications-packaged for retail use 2.18%
5 Engines	1.43%	Nickel mattes 1.15%	Engines 1.36%	Engines 1.38%	Engines 1.37%	Engines 1.24%

Ontario Auto Exports to USA

- 36% of Ontario's international exports to the US (2016)
- 90%+ of Ontario's World Auto Exports

Indicators (\$ Millions)	2009	2010	2011	2012	2013	2014	2015	2016
<i>Ontario export of auto and motor vehicle products to the USA</i>	34,145	46,520	47,592	55,439	54,570	59,109	67,544	73,669
As % of Ontario export of goods to the USA	29%	35%	34%	37%	36%	35%	35%	36%
Ontario exports of goods to the USA	119,200	134,161	141,395	148,229	151,598	168,376	194,158	206,556
As % of Ontario world export of auto & motor vehicle products	97%	98%	98%	97%	96%	96%	95%	94%
Ontario world export of auto & motor vehicle products	35,298	47,361	48,755	57,332	56,903	61,365	70,733	78,071

Ontario Markets in the USA

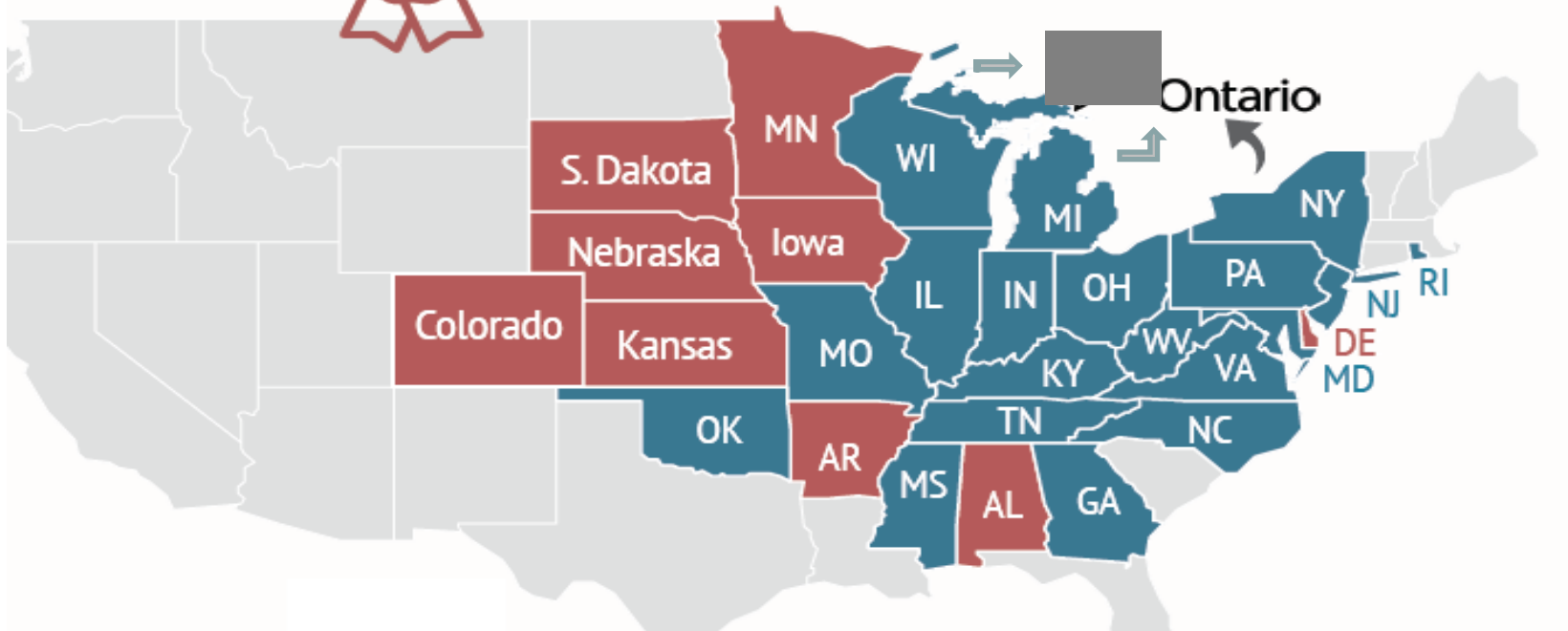
Ontario - U.S. Relationship



export market for **19** U.S. states



export market for **9** U.S. states



The Four American States Key Trading Partners

Michigan, New York, Ohio and Illinois



Ontario's Trade with the 4 States

- Above **40%** of Ontario's international exports to the US
- **36%** of Ontario's total international exports
- About **10%** of Ontario's GDP

Exports - Indicators (\$ Millions)	2009	2010	2011	2012	2013	2014	2015	2016
Ontario total export of goods (international)	147,766	168,183	180,481	187,069	189,796	208,197	235,524	249,544
Ontario export of goods to the USA	119,200	134,161	141,395	148,229	151,598	168,376	194,158	206,556
Ontario's GDP	597,876	630,983	659,740	680,086	695,354	726,053	762,029	794,835
Ontario export of goods to 4 states	48,876	61,369	65,774	67,219	68,637	74,773	84,784	92,494
4 states: as % of Ontario export of goods to the USA	41%	46%	47%	45%	45%	44%	44%	45%
4 states: as % of Ontario total export of goods (international)	33%	36%	36%	36%	36%	36%	36%	37%
4 states: as % of Ontario's GDP	8%	10%	10%	10%	10%	10%	11%	12%

Auto Trade with the 4 States

Top 10 US states with automotive industries connected to Ontario

State	Origin		Destination		Daily Total		2-Way	
	Trips	Value	Trips	Value	Trips	Value (\$ Million)	Trip Share	Per Truck Value
MI	1,335	\$ 64,697,241	1,396	\$ 75,676,283	2,732	\$ 140	47%	\$51,400
OH	433	\$ 25,398,329	477	\$ 18,933,789	910	\$ 44	15%	\$48,700
NY	193	\$ 7,598,948	212	\$ 22,831,662	405	\$ 30	10%	\$75,200
IN	161	\$ 10,954,807	137	\$ 5,822,984	298	\$ 17	6%	\$56,300
TX	43	\$ 4,049,817	68	\$ 4,521,680	111	\$ 9	3%	\$77,500
PA	84	\$ 4,008,598	46	\$ 3,977,970	130	\$ 8	3%	\$61,400
IL	62	\$ 4,319,460	90	\$ 3,403,535	152	\$ 8	3%	\$50,800
TN	62	\$ 4,141,595	74	\$ 1,991,735	135	\$ 6	2%	\$45,300
KY	57	\$ 3,816,269	73	\$ 1,998,711	130	\$ 6	2%	\$44,600
AL	20	\$ 2,914,945	16	\$ 1,119,728	36	\$ 4	1%	\$112,900

Auto Trade with the 4 States

Annual summary and analysis (Total of top 10 trading states)

State	Annual Imports to Ontario			Annual Exports from Ontario		
	Trips	Commodity Weight (Ton)	Value (M\$)	Trips	Commodity Weight (Ton)	Value (M\$)
Total US	913,281	7,749,793	50,574	956,916	6,139,361	52,287
Michigan	475,506	3,661,943	22,765	495,739	2,810,620	26,704
Ohio	156,368	1,447,025	9,151	169,267	1,006,115	6,425
New York	58,940	284,629	2,156	63,972	613,890	7,380
Indiana	54,222	562,647	3,814	48,478	325,914	2,082
Pennsylvania	31,784	366,820	1,524	16,034	129,912	1,436
Texas	14,450	143,610	1,428	22,000	237,528	1,446
Illinois	21,206	180,735	1,524	31,457	215,380	1,154
Tennessee	19,659	164,074	1,290	24,291	129,365	639
Kentucky	17,712	190,108	1,195	25,387	112,798	653
Alabama	6,182	104,466	1,061	4,587	60,242	302

Michigan (2017)

22.9% of all Ontario's exports to USA

69% were auto products

52% Ontario's auto exports to the US

Ontario-US Cross-border Trade By Freight Mode

Road Mode: 74% of total ON-US trade flows by regions
Most important mode used to move exports

(Millions of dollars)

<i>Canadian Region</i>	<i>U.S. Region¹</i>	<i>Exports from Canada</i>	<i>Imports to Canada</i>	<i>Total Trade 2017^P</i>	<i>Total Trade 2016^A</i>	<i>Percentage Change 2017/16</i>	<i>Share of Total (%) 2017</i>	<i>Main Modes Used (Per cent of total value) 2017^P</i>
Ontario	Central	89,621	92,162	181,783	182,714	(0.5)	25.9	Road (77), Rail (17)
Ontario	South	33,481	54,421	87,902	87,435	0.5	12.5	Road (73), Rail (18)
Ontario	North-East	32,557	29,972	62,529	65,490	(4.5)	8.9	Road (87), Air (8)
Alberta	Central	47,188	7,309	54,496	41,583	31.1	7.8	Pipeline (82), Rail (12)
Ontario	West	40,006	14,422	54,427	56,076	(2.9)	7.7	Road (48), Rail (40)

Implications for Freight Policy

- Paramount importance of Ontario - US trade
- In particular, auto trade with 4 key states
- Trucking as main support for trade flows
- Key factors affecting Ontario-US freight modes

Cost-competitiveness

Regulatory harmonization

Border management

Infrastructure improvements

Ontario-US Cross-border Trade Key Economic Challenges

(With impacts on freight transport)

US tax reform and related changes

Canada-US tariff war (steel & aluminium)

The new trade deal/NAFTA or USMCA

Cost-competitiveness - Trucking

Vehiclecategory	Aggregate incremental costs for newMY2027 vehicles	MY2027 vehiclesales forecast	Average incremental cost per new vehicle	Average cost increase per new vehicle
Tractors	\$452,524,543	31,758	\$14,249	9%
Vocational vehicles	\$100,464,843	32,855	\$3,058	3%
Heavy-duty pick-up trucks and vans	\$177,334,629	90,492	\$1,960	4%
Trailers	\$60,110,995	50,813	\$1,183	4%