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## Auto slump stalls trade with Canada

Monthly cross-border traffic falls from \$8B high to \$3B in 2 years

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*Detroit* -- Michigan's once-robust trade with Canada has plunged dramatically -- collateral damage from the auto industry's slowdown.

The state's trade north of the border, which hit its peak of nearly \$8 billion in September 2007, fell to \$3.04 billion in June.

Exports to Canada, and goods coming from Canada into the U.S. through Michigan, began their free-fall about a year and a half ago, when things got really tough for the auto industry. They have fallen by more than half every month this year from the same months of 2008.

"The low trade numbers are easily attributable to the trouble of the auto companies," said Dana Johnson, chief economist at Dallas-based Comerica Bank. The auto industry accounts for roughly half of Michigan's trade with Canada.

In June -- with auto sales tanking, Chrysler and General Motors in bankruptcy and some plants on hiatus -- trade between Michigan and Canada dropped 54 percent from the same month in 2008, according to the Bureau of Transportation Statistics data released this week. The decline here led to an overall 37 percent decline in land-based trade between the U.S. and Canada.

The value of all of Michigan's cross-border trade traffic in June was \$3.04 billion, down from \$6.59 billion the same month a year earlier. At its zenith, in September 2007, Michigan-Canada trade crept close to the \$8 billion level.

The trade figures are taken from the state's five primary crossings to Canada: the Ambassador Bridge, Detroit-Windsor Tunnel and Detroit-Windsor truck ferry in Detroit; the Blue Water Bridge in Port Huron; and the International Bridge in Sault Ste. Marie.

"These numbers are a key indicator of the health of the auto industry, and the Michigan economy overall," said Patrick Anderson, principal and chief executive of Anderson Economic Group, a Lansing-based consultancy.

"The huge drop in trade between the U.S. and Canada, especially Michigan, show what a clear collapse we're having in the auto sector."

Beyond the auto industry's woes, the drop in cross-border trade has a larger secondary and tertiary effect on Michigan's economy.

For one, truck traffic accounts for nearly 90 percent of the state's trade with Canada, according to the American Trucking Association, meaning the severe drop in trade brings down sales at truck stops, motels and other businesses that cater to those in the logistics business. It also means fewer tolls collected at

border crossings and less fuel tax revenue for the state.

## No bounce-back in sight

Economists say Michigan's trade with Canada is bound to bounce back somewhat, but it likely won't be a quick recovery, given the deep retrenching of Detroit's Big Three automakers, which have shuttered factories and trimmed payrolls on both sides of the border.

While auto sales received a much-welcome bump with the advent of the federal government's popular "cash for clunkers" program that gave car buyers vouchers of up to \$4,500 in exchange for trading in older, less fuel efficient vehicles, Anderson said it's unlikely there will be enough of an immediate impact to pull the downward-trending trade numbers out of a spiral.

"I don't see auto production resuming at anywhere near the levels we had," Anderson said. "The bankruptcy of GM and Chrysler and the catastrophic drop in sales will dramatically depress production activity for some time."

All told, auto-related imports and exports, which include assembled vehicles and parts used in manufacturing and account for roughly half of Michigan's cross-border trade, declined 59 percent in June, down to \$1.51 billion from the \$3.71 billion in trade posted the same month a year earlier.

"These numbers show that the state's economy is very dependent on autos, which is something that's going to be changing in the next few years," Johnson said. "Broadly, imports and exports as a whole are expected to start increasing as the economy recovers."

## Revival hopes auto-based

But whether Michigan will get a piece of that rebound -- or how much it can expect -- is still, at this point at least, heavily dependent upon whatever recovery Michigan's auto manufacturers experience.

"Michigan does a lot of cross-border business with tourism and the service industries -- particularly professional services," Anderson said. "But that doesn't generate anywhere near the amount of cargo tonnage that manufacturing does."

That drop in cargo movement also breeds its own set of residual effects, including trouble for those that support such trade, including trucking companies, rail and logistics firms, truck stops, motels and other roadside businesses that cater to the big-rigs that carry much of the traffic.

Anderson said the drop in cross-border cargo in Michigan won't negate the need for infrastructure improvements, particularly those that traverse the Detroit River. There are two proposed projects -- both mired in legal battles on both sides of the border. One plan would add a twin span to the privately owned Ambassador Bridge -- the nation's largest entry and exit point for trade between the United States and Canada. A second, public plan calls for a separate crossing about a mile downriver.

"In the long term, Michigan will benefit from maintaining a position as the main portal for trade between the U.S. and Canada," Anderson said. "The downturn now shouldn't obscure that need."