

# **Canada Transportation Act Review**

**Submission by:**

**Association of Canadian Port Authorities**

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## **EXECUTIVE SUMMARY**

The ACPA has been in existence for since 1959, operating under the moniker of the Canadian Ports and Harbours Association until a year ago. In 1999 the name was changed to reflect the new status of Canadian ports as new commercial entities operating under the rubric of the Canada Marine Act. The ACPA consists of the 20 ports in Canada that have Canadian Port Authority (CPA) status. It also includes more than 30 Associate members comprising both port users and government entities.

The Association of Canadian Port Authorities (ACPA) groups together ports and harbours and related marine interests into one, national association. The name of the Association was changed on September 1, 1999 at its 41st Annual Meeting in Quebec City where it developed a new Vision, Mission and Goals Statement. The Association also decided to restructure itself and take an increasingly active role in government relations recognizing that much of what government does - or fails to do - greatly impacts port operations.

Over half of all trade in Canada goes through Canadian ports. Ports have a strong interest in the health of the Canadian transportation system. The ACPA develops national policy and programs on critical marine interests for Canadian Port Authorities with a special focus on the interface between marine and surface modes of transportation.

The ACPA wishes to provide its comments on national transportation policy in Canada. Specifically, we wish to focus on the Panel's mandate related to the review of "federal policy and legislative framework governing transportation in Canada." We believe this broad mandate gives the Panel a unique opportunity to finally look at the need for a national transportation policy for this country. Canadian ports are especially concerned with the strong competition from ports in the United States and the need to create a level playing field.

In fact, Section 53 (1) of the Canada Transportation Act (CTA) gives the Minister of Transport the power to "carry out a comprehensive review of the operation of this Act and any other Act of Parliament for which the Minister is responsible that pertains to the economic regulation of a mode of transportation and transportation activities under the legislative authority of Parliament." It would appear that the Minister is ready - and the port community is definitely ready for a review of the Canada Marine Act (CMA).

First and foremost, in that process, is the pressing need to address some of the deficiencies in the Canada Marine Act and, the sooner the better. Given the importance of the transportation system to Canada's competitiveness we urge the Review Panel - and the Minister of Transport - to move expeditiously to also review the Canada Marine Act (CMA), to ensure that ports are put on an equal footing with global competitors. It may also be prudent to consider the impact of

all other legislation and regulation impacting all modes of transportation in order to have a coherent national transportation policy for the 21st century.

Canadian Port Authorities are competitive. They have proven that they can compete with other modes of transportation and with US ports. However, there are a number of areas that require improvement such as a better regulatory environment for ports; better public policy for other economic sectors that use ports to transport goods; a more level playing field with that of certain US port competitors; and recognition by governments that an integrated approach to transportation policy will make ports - and other modes of transportation - much more competitive. The port community has much to be thankful for, but there is much work to be done to enhance the competitiveness of Canadian ports.

## **I. IMPORTANCE OF TRANSPORTATION**

A recent government publication 'poetically' pointed out the historical importance of our transportation system. It eloquently outlined that, "The history of Canada is closely tied to the history of transportation, and to the gradual triumph of transportation over geography. Throughout the life of the country and even before, Canadians have met the challenges of a vast and rugged environment to build one of the largest, most sophisticated transportation networks in the world." Today, it is true, Canada's transportation infrastructure extends over some nine million square kilometers and includes almost one million kilometers of road; 50,000 kilometers of rail lines; 646 certified airports; and over 300 commercial ports and harbours.

This network involves millions of components and thousands of people, all working together to keep the system running smoothly, one of the best among G-7 countries according to a recent *Global Competitiveness Report*. Does Canada intend to keep it that way, and how? The port community, and other intermodal players must seek answers to this important question.

Canada has one of the most modern and highly developed transportation infrastructures in the world. In fact, according to the World Economic Forum's 1997 *Global Competitiveness Report*, Canada's transportation infrastructure ranked first among G-7 countries. This ranking, based on the extent to which a country's transportation infrastructure meets the requirements of an internationally competitive business, measures the adequacy of roads, railroads, air transport and port access. This achievement is truly remarkable given the sheer size of Canada's landmass and its challenging landscape.

While the marine sector is, indeed, impressive it cannot function without strong connections to the road and rail sectors. Canada has more than 900,000 kilometres of public roads. The 7,300-kilometre Trans Canada Highway is the country's major east-west route, linking all 10 provinces. The road network includes a large number of crossing points with the US, 18 of which are major trade gateways.

In recent years, the increase in truck traffic generated by the growth in Canada-US trade - and just-in-time manufacturing - have placed added demands on the road system and have focused greater attention on road safety, including the quality of infrastructure. As a result, Canada invests a large amount of money on road maintenance and upgrades; and many stakeholders are crying out for much larger sums to be invested in our road system to maintain our ability to compete. The United States has recognized the importance of a world class road system. It has committed a whopping \$128 billion highway infrastructure and other surface transportation programs. The way in which our roads are maintained will be critical to the effective movement of goods around Canada and to our largest trading partner, the US.

Clearly, railways are the backbone of Canada's transportation system, providing the most economical method of moving containers over great distances. Canadian railways move some 270 million tonnes of freight annually. They also

have easy access to Canada's major ports and to interior communities, either directly or indirectly, through truck-rail intermodal service. Ports have a vested interest in a strong railway system in this country.

## **II. TRENDS IN TRANSPORTATION**

It's a time of great change in the port community and transportation in general. It can be a time of great opportunity if the port community seizes the moment and helps shape the competitive environment of the Canadian transportation system. The newly minted Canadian Port Authorities (CPA) are not homogeneous, varying widely in terms of the size of their respective port operations, type and size of market served, and, consequently, their financial and staff resources. Unlike departments and other agencies of the federal government, the new CPAs do not receive appropriations from the federal government. In an era of corporate streamlining and harsh competition, the CPAs must concentrate on fulfilling their primary commercial functions - and specific administrative regulations - imposed upon them by the terms of the Canada Marine Act. At the same time they must function as a viable business. No easy feat for ports given that they are now using new muscles to compete!

The Association of Canadian Port Authorities (ACPA) represents the interests of the Canadian Port Authorities (CPA) in matters of common interest to the Ports. Currently, the ACPA members are most concerned with ensuring that the application of the Canada Marine Act to the new CPAs is fair and equitable. After more than two years of operating under the CMA, the ports are now ready to pass judgment on its merits, and to actively seek changes that are necessary for maintaining port competitiveness. The ACPA members are also dealing with many important issues such as cost-recovery and user fees; environmental stewardship; privacy and access to information; payments in lieu of taxes; infrastructure development; productivity and competition matters; corporate taxation; international trade; and other social and regional issues as dictated by the local circumstances of the various Port Authorities. These are the new realities faced by the CPAs and all impact, one way or another, port competitiveness.

As noted above, there are many determinants of Canadian ports' ability to compete. Nothing impacts this ability to compete more than the effect of legislation and regulation on port activities. The Canada Marine Act - and other legislation - will determine to a large extent ports' ability to effectively compete domestically and on a global scale. This is not to suggest that 'regulators' or officials in Ottawa consciously set out to hamstring the ability of ports to compete; quite the opposite. It is incumbent upon officials, and members of the port community as well, to work closely together to ensure that an important mode of transportation continues to be one of the best in the world. Recently an Ottawa protagonist was heard to say that, "Time and time again, it is the private sector that determines national transportation policy in this country, and not the

government." The CTA Review Panel must look to the private sector to devise better national transportation policy for Canada.

The Minister of Transport has identified five 'big challenges' related to the future of transportation in Canada: sustainable transportation; increased ease of border crossings; building infrastructure; applying new technology; and safety. There may be a few others that could be added to that list, such as: better and more streamlined regulations; improved trade policy; a more competitive tax system; an integrated approach to transportation policy; and, of course, more money. The Minister has put out the challenge to everyone when he poses two key questions: "What role does policy play in responding to these challenges? And, what can government do to help?" The ACPA has worked hard to help provide some of the answers.

### **The Numbers Speak for Themselves**

Transport Canada's *Millennium Transportation Conference* noted that:

Transportation has always been critical to the development and growth of Canada and the Canadian economy.... In the recent past, the transportation sector has been the subject of sweeping reforms in terms of privatization, commercialization, de-regulation and subsidy reduction. It would not be an exaggeration to say that the transportation system in Canada has undergone a 'quiet revolution'. We are now going through a period of transition where the focus of public policy in transportation will need to shift to address the adjustments that might be required as a result of the reforms that we have put in place in the recent past and to cope with new challenges in the context of globalization ... globalization will force all of us to do things better; at the same time, it is a constraint on what we can do.

Transportation, including all facets of maritime transportation, is indeed, in transition. It is encouraging to see the forgoing words, put in writing by Transport Canada. It is now incumbent upon on all in the marine community to ensure that it helps shape public policy that will determine the way it does business for years to come. Ports cannot simply concern itself with the shape of marine public policy because the intermodal dependence is quickly increasing as trade increases; and as new technology is applied to business-to-business transactions.

At the recent Transportation Week held in Windsor, it was accurately noted that "The connection with other modes of transportation generally happens at our Nation's ports. Trucks and rail meet marine at these central locations and carry all manner of goods in an efficient and economical transportation system." The importance of water borne trade continues into this millennium as more than half the value of Canada's overseas trade depends on, and flows through Canada's port communities. Public policy in all its forms will factor greatly in the way ports compete. This points to the need for a comprehensive national transportation

policy and the *CTA Review Panel* has a unique opportunity to be a catalyst for this necessary initiative.

The Transportation in Canada 1999 Annual Report contains relevant statistics which show the importance of Canada's ports to Canada's growing trade numbers. In 1998, marine freight traffic in Canada totaled 329.7 million tonnes. When considering the movement of goods in, out, and around Canada by water, freight traffic has three components - domestic movements between Canadian ports; trans-border trade with the US; and international/overseas traffic.

Between 1988 and 1998, Canada's marine traffic with the US increased by 19% to 100 million tonnes. In 1998, LOADINGS at Canadian ports destined to the US amounted to 59 million tonnes, up 3.5 per cent from 1997. UNLOADINGS at Canadian ports of shipments originating in the US rose from 37 million tonnes in 1997 to 41 million tonnes in 1988, a 10 per cent increase. There were two main corridors in 1998: from the (Canadian Atlantic) to the (US Atlantic) with 42 per cent of total loadings to the US; and from the (Canadian Great Lakes) to (US Great Lakes Ports), with 23 per cent of total loadings. Indicators from last year show that for the first time, Canada/US marine trade will be greater than internal, domestic movements and all arrows are pointing upward for the future. How far upward will depend on the things we do in Canada to facilitate increased trade around the world.

The value of Canadian INTERNATIONAL marine trade in 1998 reached 279.6 million tonnes of international cargo volume which was 1.1 percent LESS than the record quantity handled in 1997. The total monetary value was in the order of \$79.7 billion (excluding shipments by U.S. ports) which was 5.2 per cent LESS than in 1997. Marine exports were valued at \$41 billion and imports at \$39 billion. The value of exports DECREASED by 11 percent, caused by reduced cargoes bound for Asia and Oceania, the Middle East and South America. The value of marine imports INCREASED by 2 percent. Of all the international tonnage handled at Canadian ports, 64 per cent is export-oriented.

This trade is vital to the economic prosperity of communities across Canada. What happens in the United States and with our main trading partners internationally greatly influences the competitiveness of marine trade. By comparison, domestic flows accounts for only 47 million tonnes of cargo traffic. The majority of domestic marine movements (62%) in Canada takes place in the Great Lakes-St. Lawrence Waterway with the West Coast handling 25% and Atlantic ports seeing a little more than 11% moving over their docks.

In terms of the modal split, trucking and rail were the main modes of transportation for transborder trade. In 1998, the trucking mode dominated Canada's trade with the US, at 63 per cent of exports and 80 per cent of imports. This is followed by rail, at 21 per cent of exports and 9 per cent of imports. From 1992 to 1998, the trucking and air modes registered a slight increase in their shares (mainly in exports), while rail and marine experienced a DECLINE, both growing at a slower pace than trucking and air.

The port community must be vigilant and recognizes the importance of its role in the continuing prosperity of Canada due to this burgeoning trade. As such it must be mindful of its role in helping shape public policy in critical economic areas such as: grain reform; rail policy and mergers; road and other infrastructure development policy; tax policy; trade policy; environmental policy; and the list goes on. The way in which some of these issues are resolved in the coming months will directly impact the competitiveness of Canadian ports. Many of these issues cannot be resolved in isolation, but must be looked at through the prism of a national transportation policy.

The port community has not shirked its responsibility in this regard and has struck a *Competitiveness Review Task Force* in anticipation of an early review of the Canada Marine Act. Senior representatives of Canadian ports have already dedicated much time and effort to the critical issues that will make ports more competitive and this effort will only increase in the months ahead. As the Minister of Transport noted in a number of speeches in recent months, we must get down to business and fix what we need to fix in the realm of public policy for the short- and long-term. The port community says: the sooner the better!

### **The U.S. Approach**

You can't 'sleep' next to the elephant; the operative word is 'sleep'. The United States is Canada's largest trading partner with over \$1.4 billion in two-way trade each day. Canada is the number one trading partner of 35 US states and the number two for the other 15; 90 per cent of Canada's population live within 100 miles of the Canadian border; we all share in the economic boom being experienced by the US; we all know that the US has a more attractive tax environment for both individuals and corporations; and, it has a more free market economy relying less on government regulation than Canada. For these and many other reasons Canadians cannot sleep living in the shadow of this huge elephant. We must ask - and be prepared to answer - how does US marine policy impact the competitiveness of Canadian ports?

In its *Report to Congress* last September, the US Secretary of Transportation noted that, "...this nation was built on its waterways and ports. So we must make certain they are ready to compete, and win, in the global economy of the 21st century.... Our waterways, ports, and their intermodal connections must meet the needs of a wide range of users. They must fulfill the public's expectations." The volume of business handled by US ports exceed 2 billion tonnes of foreign and domestic cargo. The top 50 ports handled 82 percent of the cargo.

Even though highly concentrated, 148 ports still handled in excess of 1 million tonnes of cargo. How much of that could have been handled by competing Canadian ports? That is the unanswered question for Canadian ports and whatever the answer there needs to be a competitive strategy to effectively compete for - and win - more business for Canadian ports. This potential

business in the US, in addition to growing world trade in general of approximately 4 per cent annually, represents great opportunity for our ports in the future. The future looks bright if we can ensure our regulatory house is in order to enable ports to capture some of that business.

Due largely to the Canadian dollar, direct foreign investment in Canada is skyrocketing and this too will give rise to the demand for multinational companies to move its product worldwide. A recent Statistics Canada report on *Multinationals and the Canadian Innovation Process*, revealed that as Canadian companies become multinational they tend to become much more innovative. That's simply because they have to be innovative if they wish to survive in an intensely competitive global economy.

It is interesting to note the pivotal role government policies have played in shaping many of Canada's leading multinationals in the past. Magna International has prospered as a direct result of the Canada-US auto pact, which required Canadian content in cars manufactured here. CAE Inc. got its start in the flight-simulation business through a military-offset program. Bombardier Inc. is a leading manufacturer of aircraft today because the Canadian government, at great expense, kept Canadian and de Havilland Aircraft going after their foreign owners wanted to close down operations. And Nortel Networks benefited from Canadian regulatory policies and access to government research. What governments do in the realm of public policy does impact the way we do business in this country. The marine transportation sector now needs a similar public policy push to bring it into the 21st century as a raging Tiger, ready to compete. This push can only come from a comprehensive transportation policy.

Ports in particular have a real challenge. While other modes are increasing in the share of the trade pie, loadings handled at ports are trending down for international trade, that is, others are increasing at a faster rate. The US government has embarked on an aggressive transportation renewal project that is well underway and that will only increase the competitiveness of US ports. Already, Canadian ports are hampered by cumbersome regulations, including a heavy tax burden that will likely get even heavier. US ports do not have to contend with gripping regulations, nor a grabbing tax regime. Furthermore, some US ports are even in the unique position of being able to levy taxes similar to the taxes now levied by airports in Canada. An overpowering regulatory system, combined with a punishing tax regime, have placed Canadian ports at a disadvantage with U.S. ports. The federal government needs to be made fully aware of this uneven playing field as it works toward making the Canadian transportation system - in particular Canadian ports - more competitive for the 21st century.

Strong US maritime policy is right around the corner and it will have an immediate and direct impact on our ports. The United States has engaged in a comprehensive study of its Marine Transportation System and it is not sleeping when it comes to stronger public policy initiatives to ensure that it does not lose market share in key sectors. Canada needs to get its initiatives in line with US

policies if all modes of transportation in this country are to remain competitive and continue to grow in step with that of the US - and the world.

### **III. KEY PORT ISSUES**

The comments made with respect to public policy decisions - or the lack thereof - is not meant to slight public officials in the conduct of their duty, but to indicate to public officials that the port sector is aware of certain deficiencies and wants to work hard to correct them. As the Minister of Transport noted in a recent speech in Windsor during *Transportation Week*: "I'm going to listen carefully ... as we begin shaping the transportation agenda for the medium and long-term." The port community is taking every means at its disposal to act responsibly and to provide constructive input into public policy because the future depends on it.

Some of the critical factors impacting port competitiveness include:

- efficiency of port operations
- competitiveness of other modes of transportation
- competitiveness of US ports
- impacts of globalization
- public policy decisions related to ports
- public policy decisions related to other modes of transportation
- general economic and tax policy; and
- the regulatory framework for transportation modes in Canada

These issues - and others - will have to be dealt with, head on, as the port community strives to compete, and win!

### **International and Interprovincial Trade**

As a relatively small economy, Canada relies on foreign markets for its prosperity. Trade allows Canadian firms to expand their businesses beyond the national market, while giving Canadians access to the world's products and services on the best terms. This fact of life directly challenges Canadian businesses because "when we trade with other countries, we are obliged to become more competitive." Given the fact that our Canadian market is only 2 per cent of the global gross domestic product, we have to trade to gain access to the economies of scale and scope that underlie competitiveness. We compete when we trade and we trade to be able to compete. Nothing more, nothing less. It is because of this that Canada is the largest per capita international trader of the G-7 countries and is one of the most open countries in the world. This also means that we are most exposed to market forces and public policy in other countries when it comes to our ability to compete, especially the US.

When one looks at the tremendous impact of the FTA on exports, one sees that Canada reached the \$100 billion milestone in exports 10 years ago (taking over 100 years to do so). In the short 10 years since the FTA that number has more

than doubled to a record level of \$286.8 billion in 1999. Imports from the US in the same year reached \$215.1 billion which equates to over \$1.4 billion a day in two-way trade. What will happen in the next 10 years? Good question! Whatever happens transportation policy will be critical.

International trade (trade other than with the US) declined slightly in 1998 from what it was in 1997 due to competition from other modes. Marine and air were the primary modes used in trade with countries other than the US. From 1992 to 1998 marine's share declined in both exports and imports. Over the same period, air's share grew from 16 to 19 per cent in exports, and from 15 to 22 per cent in imports. This trend reflects the increasing trade in high-valued commodities such as electronic and telecommunications equipment. Air imports in electronic and electric machinery/equipment grew at an average annual rate of 28 per cent, jumping from \$1.2 billion to \$5.2 billion in value.

What governments and industry stakeholders do in the short-term will dictate the kind of growth Canadian companies and, by extension, Canadian ports will have over the longer term. A trade agreement is not a guarantee of increased trade. There is an important role for government to play in creating a welcoming environment for business. For example, there must be better trade rules in *Canada's Agreement on Internal Trade*. Currently, interprovincial trade barriers are estimated to impose an annual cost of \$7 billion on the Canadian economy. This is why Canada's trade is shifting and continues to shift from east-west to north-south, with a full 20 per cent more trade internationally than domestically. International trade now makes up a whopping 40 per cent of GDP in Canada.

The *Global Competitiveness Report* completed in 1997 placed Canada fourth overall in the international ranking on competitiveness. However, Canada cannot rest on its laurels given the rapid development of the marketplace to a knowledge-based economy. It is widely recognized that our regulatory and competition frameworks must change and adapt to the ever changing circumstances. Commenting on the international dimension of transportation the Minister of Transport noted that "these initiatives go far beyond our domestic trade — shipping, by its very nature, is an international activity, and any changes we make to how our goods move must be done with a view to enhancing Canada's ability to compete in the global context." The information technology world is changing at the 'speed of thought' and no one is certain the kinds of impacts it will have on economies around the world. All that is certain is that it will have a dramatic impact in the way we conduct business in the transportation sector.

### **Sound Information is Necessary for Effective Transportation Policy**

In a recent analysis of its information requirements related to marine policy issues under the heading: "Examples of unsatisfied data needs arising from current policy analyses," Transport Canada noted the following deficiencies in its information banks:

#### Competitiveness of Canadian ports:

- shares of traffic handled by specific Canadian ports vs competing ports, by market - i.e.commodity/ultimate
- freight flows by mode and routing, including intermodal transfers;
- relative prices for complete O-D movements in those markets using Canadian and competing ports; relative user fees (including pilotage); relative productivity; relative tax treatment;
- relative subsidies.

#### Competitiveness of St Lawrence Seaway:

- shares of relevant commodity/O-D markets, compared to other modes and intermodal movements;
- relative prices for complete O-D movements in those markets using Seaway and alternative routes/modes;
- trends in Seaway productivity.

#### Development of intermodal freight traffic:

- commodity O-D flows by mode, including intermodal transfers.

Speaking to the recent assembly of the Canadian Industrial Transportation Association, the Minister of Transport implied that efforts were under way to address the deficiency of information when he said: "To better understand where we can make improvements, Transport Canada is co-sponsoring — along with the provinces — regional freight studies that include a multi-modal overview of how our freight moves. These studies make a crucial point — that transportation is more than the sum of its parts." The port community says the sooner we get better information, the sooner we get better public policy related to ports and transportation in general. The federal Government must give priority to ensuring there is an effective data base on which to make future public policy decisions related to transportation policy in Canada.

With this noted information deficiency, it is also interesting to note that the *House of Commons Standing Committee on Industry* released a report in the Spring on Canada's competitiveness and productivity stating: "The Committee's primary objective is to provide the Government of Canada with guidance on industrial policies that will boost the nation's productivity, innovation and international competitiveness." The Committee's report provides an overview of productivity and competitiveness in Canada by sector, including: agriculture; forestry; mining; oil and gas; petroleum products; shipbuilding, automotive and aerospace manufacturing; information and communications technologies; and biotechnology. It is obvious that the increasing competitiveness of all those sectors will contribute to the bottom line of transportation policy. The Committee also notes that "...the industrious character of the United States provides a perennial source of rivalry that challenges Canadian industry and spurs it

forward." This is no surprise to Canadian ports who must compete with US ports regularly!

Anyone involved in the crafting of public policy would do well to heed the words of Jayson Myers, Senior Vice-President of the *Alliance of Manufacturers and Exporters of Canada* when he says of Canadian competitiveness: "Number one is driving to greater cost-efficiency. This means that companies are aiming to reduce all forms of overhead... contracting out goods and services that can be provided at less expense, they're automating their systems; they're reducing waste ... " It was encouraging to see that a recent decision by the Government of Canada on commercial rents recognized the need for ports to act in a truly commercial manner, in a highly competitive market. Canadian ports are becoming ever mindful of these global challenges and must continue to streamline operations and use sound business practices to be truly competitive.

#### **IV. KEY DETERMINANTS OF CANADA'S TRANSPORTATION POLICY**

The port community strongly believes that an early review of the Canada Marine Act will be the single most important initiative that will contribute significantly to the competitiveness of Canadian Port Authorities for years to come. There are a number of specific issues under the purview of the CMA that must be addressed post haste, such as: real property issues; gross revenue charges; payments in lieu of taxes; corporate governance; management regulations; debt issues; and others. In addition to these specific issues there are a number of national public policy issues that will also directly impact the competitiveness of Canadian ports as noted above, and specifically include the following:

**Better Canada-US Border Crossings:** New technologies to fast-track freight across the Canada-US border are in the works. The key competitive issue is NOT to delay in its implementation.

**Monetary Policy:** The evidence suggests that currency depreciation in the context of a floating exchange rate is an effective strategy for promoting competitiveness. However, many argue that a low Canadian dollar has led to low productivity and spawned lazy Canadian businesses. The key question is what would happen to the competitiveness of some of our ports if the Canadian dollar went to .90 cents or greater tomorrow? Can we wait until that happens. The answer is no!

**Reforming Canada's Financial Services Sector:** The federal government has proposed new legislation which will lead to a more sound, stable and competitive financial service sector that would, in turn, lead to an efficient transfer of private savings to the corporate sector for investment purposes. More money for investment in Canadian ports is a good thing, as long as ports are permitted to borrow what they need to invest.

**Corporate Taxation:** The corporate tax structure has been identified as the WEAKEST link in our entire tax system . There are two basic problems with the current corporate tax structure: (1) there is not a level playing field between sectors; and (2) the tax rates are too high relative to those of our chief competitor country, the US. The capital gains tax rate is much higher in Canada for both corporations and individuals. This directly impacts a companies ability to compete with U.S. companies.

**Productivity and Competitiveness Report:** This comprehensive Industry Standing Committee report focused on the relationship between productivity and the competitiveness of the Canadian business sector. The Report contained many recommendations which, if accepted, will enhance the competitiveness of Canadian businesses, including ports.

**Cost-Recovery:** In June the Finance Standing Committee issued its formal and comprehensive report on cost recovery. It noted that "since the implementation of this policy (in 1994) dissatisfaction has only increased." No wonder when one considers that the federal government now raises over \$6 billion in revenue annually from user fees. The ports are subject to a number of user fees for which it receives NO service. It is interesting to note that in its Report the Standing Committee singled out a case study related to the Canadian Coast Guard fees to make its point.

**Strong Intermodal Systems:** In Canada, we already have an extensive system in place to move freight intermodally. Increased innovation strengthens competitiveness; the more the better.

**ITS Technology:** Transport Canada is developing a strategy to promote the deployment of ITS across all modes of transportation in Canada. Priority must be given to this important technology initiative to enhance competitiveness.

**Infrastructure:** As noted earlier, in Canada we're seeing the dramatic difference NAFTA is making. Statistics show that this continental relationship translates into an exchange of over \$1.4 billion each day between Canada and the U.S. (the Prime Minister likes to say a million a minute!) — a number that is expected to rise substantially over the next ten years. The key to deriving the maximum benefit from this new north–south orientation is our transportation infrastructure. In fiscal 1998/99 total annual government spending on transportation was \$15.7 billion. Provincial governments spent \$7.9 billion. While both are impressive amounts the question is how much is enough and what is the total requirement for transportation infrastructure to ensure the competitiveness of all modes of transportation? In this case more is better for improved competitiveness of all modes of transportation, including ports.

**Trade and Transportation Corridors:** The strategic development of trade and transportation corridors is one way to promote Canada's transportation advantage and keep our freight moving expeditiously and smoothly throughout the continent. Transport Canada is actively involved in the Interdepartmental

Working Group on Trade Corridors, which co-ordinates federal initiatives affecting corridors, and consults with both provinces and industry on related issues. Again, the sooner the better.

**Harmonization:** Developing trade corridors also means making Canadian processes, regulations and standards compatible with those of our trade partners. The federal government has also been active on the Land Transport Standards Subcommittee to promote greater compatibility of standards among our three nations. This initiative has the potential to be one of the most important initiatives for the marine sector and the port community will have to become more involved in the discussions on increased harmonization.

**Safety and the Environment:** Developing and enhancing Canada's transportation safety practices through various activities and comprehensive programs is a fundamental activity for Transport Canada. It is important to have a realistic legislative and regulatory regime in place, one that does not place increased burdens on intermodal transportation in Canada while at the same time maintaining safety.

**Sustainable Transportation:** The Government of Canada has made environmental sustainability a high priority. There are a number of ongoing initiatives that will directly impact the port community including the new Species at Risk Act; recent amendments to the Canadian Environmental Assessment Act; amendments to the Marine Liability Act; the Canadian Environmental Protection Act; new guidelines for ballast water management; and the list goes on. It is incumbent upon government to fully consider the business impact of regulations flowing from such regulatory activity, with a view to minimizing the disruption to competitiveness of ports and other sectors. It must be recognized that shipping represents one of the most - if not the most - environmentally friendly modes of transportation.

## **V. CRITICS OF CANADIAN TRANSPORTATION POLICY**

It is clear from the above that a number of things have to be done to make Canadian ports more competitive. The solutions are not all simple. Since the ACPA has outlined a number of the ongoing initiatives of government and posited some of the views of the port community for consideration by government, it is necessary to give the 'other view' of Canada's national transportation system. A number of academics and opposition politicians have argued that Canada must have a formal, national transportation policy in order to compete.

On May 30, 2000 the Conservative Party's Transportation Critic introduced a supply motion in the House of Commons: "That this House recognize the urgent need to address the serious transportation problems facing the Canadian people and calls upon the government to immediately establish a comprehensive national transportation policy that demonstrates leadership on this issue and

which provides solutions to the problems shared coast to coast by all Canadians." Others have argued vehemently that the federal government cuts to transfer payments have contributed to the provinces' inability to do road repair and maintenance. Furthermore, a decrease in rail service has added a further strain on our highways infrastructure and traffic flow.

Many have argued that we are not seeing a strong commitment to upgrading our transportation system like that of the US. In fact, in his 1998 *Report to Parliament* the Auditor General noted that the federal government had poorly managed the federal-provincial agreements related to transportation. The Auditor General stated that: "These agreements were poorly enforced and monitored... and that he was concerned that Transport Canada has not done much of what it was supposed to do under the terms of the 24 highway cost-sharing agreements it signed." These programs have now disappeared.

Opponents of current transportation policy have pointed out a view held by many that Canada, perhaps more than any other country, needs a transportation policy due to our size and population distribution. We want to grow. We want to compete. We want to be in the global market, but we cannot be a true competitor without a transportation policy which aligns all the transportation modes. It is argued that provincial governments, shippers, manufacturers, producers and others need to have a clear vision of where the country is going on transportation policy in order to develop their business plans.

The port community - via the ACPA , other associations, and individually - is working tirelessly with government to have input into all these weighty public policy issues. As the Minister of Transport recently noted: "We must constantly remind ourselves — whatever mode we're involved in — that with the increasing levels of freight and trade activity we're experiencing, the company that can ship goods in the most efficient and cost-effective manner is the one that will get the business over the long haul. Using the best possible combination of modes is key to meeting the rising demands of our customers to provide "just-in-time" service." The ports must not - will not - be left on the sidelines when matters of important public policy are debated.

## **VI. RECOMMENDATIONS**

1. There is a need for a comprehensive national transportation policy in Canada. Once again this CTA Review is focusing on one segment of the transportation system. This cannot lead to a cohesive plan that encompasses all modes and their interrelated impacts. The Canadian government must take a hard look at where trade is headed; Canada's role in international trade vis-a-vis transportation; and how all modes are to be treated in this review.
2. Government must view transportation infrastructure as an 'investment' rather than a 'cost'. The United States has taken an aggressive

approach to investing in its transportation system. How can Canada compete if the US is way out ahead of Canada on transportation policy? The Canadian Government must recognize that transportation infrastructure is an engine of growth for the economy and is vital to the country's ability to compete globally.

3. We must have a 'level playing field' with our international competitors. If Canada is not competitive we will lose business to US and other competitors due to their more streamlined transportation system and higher investment ratio.
4. Canada must now consider new low-cost financing mechanisms for transportation infrastructure. Canada needs to consider providing access to revenue bonds or interest-free bonds that would permit key sectors to build and maintain transportation infrastructure to enhance competitiveness.
5. The federal Government must undertake a comprehensive review of the Canada Marine Act (CMA) as part of the overall focus on renewing transportation policy in Canada. The CMA is flawed in a number of critical areas and is preventing Canadian ports from competing on a level playing field with other countries, especially the US.

## **CONCLUSION**

Much of what is outlined above - while not exhaustive - points to the need for more COORDINATION in transportation policy and KEY initiatives that need to be taken . Clearly, many good things are being done and many good things are in the planning stages. What the CTA Panel can do now is to use its mandate to review transportation policy in Canada and be the catalyst for real change in transportation policy. We can no longer take a piecemeal approach to transportation policy for practical reasons: as all modes of transportation are obviously interconnected; ongoing developments in information technology; and most importantly, continued global competition. All of this points to the need for a seamless, national transportation policy for Canada.