

# **AMM Final Submission to the CTA Review Panel**

## **Opportunities for Improvements to Canada's Transportation System:**

### **Road and Air Issues**

**November 13, 2000**

#### **Introduction**

The Association of Manitoba Municipalities is pleased to have the opportunity to make a second written submission to the CTA Review panel. In recognition of the importance of the review of the Canada Transportation Act, we have previously offered a written submission offering options for increasing competition in Canada's railway system, and we appreciated the opportunity on October 25<sup>th</sup> to make an oral presentation to the panel in Winnipeg, which touched upon the issues raised in both written submissions. This submission will deal specifically with other mandate issues not covered in our first submission.

As we have indicated, the Association of Manitoba Municipalities (AMM) was created as a result of the amalgamation of the former Union of Manitoba Municipalities and the Manitoba Association of Urban Municipalities. As a result, the AMM now represents all of Manitoba's 201 municipal corporations. This submission will outline the AMM's position on a number of issues in the area of rail, road, and air transportation, specifically with reference to the importance of sustaining capital expenditures at a level that will enhance productivity.

#### **NATIONAL TRANSPORTATION INVESTMENT STRATEGY (NTIS)**

Our membership has consistently expressed its concern about our road transportation system and the need for the federal government to make a significant funding commitment to this issue in the form of a long-term commitment. The AMM has worked closely with provincial

governments in Manitoba of all political stripes to impress upon the federal government the need for a comprehensive strategy to deal specifically with the National Highway System.

At the 2000 Transport Ministers meeting, the provincial and territorial ministers reached a consensus position for immediate federal funding of a Canada-wide transportation strategy. The federal government is projected to realize a cumulative surplus in excess of \$20 billion from taxes on the transportation sector over the next six years. As a result, the AMM believes that a long-term, sustained federal funding commitment is now affordable and should be a priority for the federal government.

The single most important component of any transportation strategy is financial assistance for Canada's beleaguered highway system. According to a study done for the provincial and territorial Ministers of Transport, the cost of correcting all current deficiencies on the National Highway System is \$17.4 billion. In Manitoba alone, the cost of making only necessary upgrades to the National Highway System is \$768.2 million. While the second National Infrastructure program will bring \$600 million over 4 years (\$150 million per year) starting in fiscal year 2002-2003 through the Strategic Highway Infrastructure Program, this amount falls far short of the \$17.4 billion needed for the National Highways System.

The federal government currently receives approximately \$4 billion annually from road use fuel taxes, and proposes to spend only 2.5% of this revenue on provincial highway infrastructure over the next six years. Manitoba highway users pay the federal government about \$145 million annually in road use fuel taxes, yet none of this federal revenue is reinvested in Manitoba highways.

Over the past decade, provinces and territories have doubled their expenditures on the national highway system to over \$1.7 billion annually. Provinces and territories have sought an initial federal commitment of at least \$800 million annually to a NTIS. Although it would cost

\$17.4 billion to bring Canada's national highway system up to proper standards, such an initiative would provide benefits valued in excess of \$30 billion, save up to 247 lives per year, and reduce injury accidents by up to 16,000 per year. An improved highway system can provide significant productivity gains for industry and is critical to achieve a more productive and competitive economy.

Canada is the only country in the developed world where the federal government does not significantly participate in support major highway links to improve interjurisdictional trade and travel. In the United States, our major economic competitor, the federal government commits an average of \$35 billion annually to highway trust fund projects, adding to their productivity advantage over Canada and diverting travel related economic activity from Canadian to U.S. routes.

For these reasons, the AMM urges the federal government to financially support a National Transportation Investment Strategy by dedicating revenue from the federal fuel tax for this purpose. In addition, we support the establishment of a federal/provincial/territorial partnership to develop a national transportation vision, which would provide guidance for the enhancement of Canada's transportation system in the 21<sup>st</sup> century.

### **Regional Airport Issues**

The issue of airports is relatively new to the AMM. Concerns over the level of funding available from the federal government and regulatory requirements were first brought to the AMM Convention in November 1999. Many of these issues have arisen as a result of the decision by the federal government to divest itself of the operation of local and regional airports through the National Airports Policy. One component of this policy was to initiate the Airport Capital Assistance Program (ACAP) to ensure that the municipalities operating these airports had access to sufficient funding for the purpose of maintaining critical airport infrastructure. It now

appears that the federal government is being unnecessarily restrictive in the scope of eligible projects and is jeopardizing the continued viability of these local and regional airports.

We were made aware of an example of this situation. A carrier withdrew its 737 airplane service from The Pas Airport because it was not economically feasible to fly a plane this large into The Pas at that time. As a result of this business decision by the carrier, Transport Canada advised the municipality that they no longer needed to maintain their runway for a 737 airplane and would therefore only qualify for funding under the Airport Capital Assistance Program (ACAP) to build a shorter runway. A decision of this type by Transport Canada effectively ensures that The Pas will never have 737 airplane service again. This jeopardizes future economic development opportunities for the municipality since certain types of investments will not be made if the municipality does not have a proper runway to accommodate a 737 airplane.

Since taking control of regional airports from the federal government, municipalities have experienced serious financial difficulties in operating these airports. Transport Canada operated most of these airports on a deficit basis for many years, but when the facilities were transferred to local control it was expected that local authorities would be able to institute economies and develop revenues sufficient to fund on-going operation, and ACAP would support their capital needs. While many regional airports have taken such action, it is becoming apparent that it is not practical to fully cover operating deficits by these means alone. If some form of on-going support is not developed, then devolution will have amounted to the effective downloading of essential public services to municipal government, which is less able to absorb such additional responsibilities. Many regional airports will always operate at a deficit. But in these cases deficits are incurred as investment in economic development, which benefit all levels of government. Although the federal government provided transitional funding to these airports for a few years after being transferred, that funding has been essentially exhausted. It is clear that the

terms under which these airports were transferred to local governments have resulted in many of these facilities not being sustainable in the long term. For example, of the ten airports in this category in Manitoba, five operate either in a break-even position or run a small deficit (under \$20,000), while five others run deficits of \$150,000 or more per year.

At the same time that regional airports have been starved for funding, in 1999/2000 the federal government accumulated a surplus of \$91 million from the airports industry. On revenues of \$263 million (largely from rents from the large national airports), Transport Canada spent only \$172 million on airport programs and subsidies. This surplus is expected to reach several hundred million dollars annually within a few years.

A number of regulatory issues also confront regional airports, such as the new emergency response standard, CAR 308 (Aircraft Emergency Intervention Services). We agree that safety must be an important consideration in the air transportation system, but unfortunately there has been little in the way of risk analysis or cost-benefit analysis done to justify such an expensive regulation with dubious safety benefits. In addition, there are legal liabilities if airports do not comply with the regulation. Small airports believe it is important to spend funds allocated for safety to address what are deemed to be the most likely eventualities in statistical terms. While we are pleased that upgrades done to comply with CAR 308 will be ACAP eligible, we are concerned that ACAP may not have sufficient funding available to assist with all of upgrades, in addition to the programs it already funds.

When Transport Canada operated a federal airports system, there was a natural check on unreasonable regulations. Now that this is gone, there are numerous anecdotes of Transport Canada inspectors requiring airports to immediately correct – at large cost – things that had been overlooked for many years when Transport Canada operated the airport. Some airports have been asked to remove boulders or cut trees that were not a problem while Transport Canada was

operating the airport. Within the context of the review of the Canada Transportation Act, there should be a review of the relationship between economic and safety regulations within a mode of transport, and in particular, a risk analysis and cost benefit justification should be required for proposed risk-mitigation regulations. Definition of the relationship between economic and safety regulation in a new CTA would be useful, not just for air transport but also for all modes of transportation.

This spring the AMM established a Manitoba Regional Airport Operators Committee to represent the interests of those airports that have been devolved to local authorities. This committee consists of representatives from the airports in Brandon, Dauphin, The Pas, Flin Flon, Lynn Lake, Thompson, Gillam, Southport (Portage), the RM of St. Andrews, Swan River and Winnipeg. The focus of the committee will be to examine the issues of mutual concern and lobby the federal government on funding and regulatory issues on behalf of all of these regional airports. We have sent a letter to the Minister of Transport as well as a number of industry stakeholders to make them aware of this committee and its mandate. The AMM will continue to work with regional airports to deal with these issues of increasing importance to many municipal governments.

### **Conclusion**

In conclusion, the AMM would like to restate the continued importance of rail, road, and air transportation to communities across Manitoba. In the areas of road and air transportation, the most important factor has been an absence (or in the case of regional airports, a withdrawal) of federal funding in the last few years. The lack of federal involvement in support of Canada's National Highway System has contributed to the deterioration of this important link, and provincial governments do not have sufficient resources to deal with this problem alone. In light of the fact that the federal government expects to post a cumulative surplus in excess of \$20

billion from taxes on the transportation sector over the next six years, we believe that now is the time for the federal government to make a significant investment in a National Transportation Investment Strategy, above and beyond the \$600 million made available through the National Infrastructure Program over the next four years by dedicated federal fuel tax revenue for that purpose. This should be done in conjunction with the establishment of a federal/provincial/territorial partnership to develop a national transportation vision, which would provide guidance for the enhancement of Canada's transportation system in the 21<sup>st</sup> century.

The devolution of regional airports to local authorities by the federal government has resulted in a number of challenges for these airports and the municipalities that own them. Although communities have taken the initiative to generate the additional revenue necessary to operate airports on a break-even basis, many have been unable to do so. The transitional funding from the federal government is now exhausted in all but a few communities, and municipalities are faced with having to subsidize their airports out of general revenues, or lose an important link to the global economy. In light of the federal government's experience at running these airports in a deficit position and Transport Canada's surplus of \$91 million in 1999/2000, municipalities should not be forced into making such a choice. We believe that the eligibility requirements for ACAP funding needs to be re-evaluated to take into consideration a broader range of expenditures than is the case at the present time, and that sufficient funding needs to be in place for ACAP to cover all of these different mandates. Regional airports are also faced with expensive, onerous, and sometimes arbitrary regulatory issues without a risk analysis or cost-benefit analysis being done to justify expensive regulations with questionable safety benefits.

The AMM will continue to work with the Manitoba Airport Operators Committee to identify and address the funding and regulatory issues that affect our regional airports.

While we appreciate that this panel will be confronted with a significant number of presentations and issues during the course of this review of the Canada Transportation Act, we thank you for allowing us the opportunity to present the concerns of Manitoba's municipalities to you this morning.