



**Presentation to
Canada Transportation Act Review
by The British Columbia Chamber of Commerce**

**September 29, 2000
Vancouver BC**

Introduction

Good afternoon, my name is Archie Novakowski and I am here today on behalf of the British Columbia Chamber of Commerce. I am Chair of that organisation and with me today is Andrew Wynn-Williams, Director of Policy and Communications. We would like to open by thanking you for this opportunity and telling you a little about our organisation. The British Columbia Chamber of Commerce (The Chamber) is a volunteer, not for profit association, and serves its members as the provincial federation of autonomous community chambers of commerce boards of trade and corporate members.

Known to be in operation as early as March 1867 the Chamber was re-established in 1951 with the following mandate:

- Develop a true cross section of opinions of the British Columbia business community.
- Present members' opinions to the provincial and federal governments.
- Promote trade and commerce.
- Improve the economic and human well being of the people of British Columbia.

The chamber now represents more than 26,000 businesses and 120 local chambers throughout the province. It truly is “The Voice of BC Business”.

Given our key mandate - to advocate a policy framework that promotes a healthy and vibrant economy in which all BC businesses can grow and prosper – we would like to emphasise the key role that transportation plays in our national and provincial economies.

I would also like to begin with a bit of a disclaimer. Because of the broad based nature of our organisation it is difficult to narrow our concerns or issues to fit within the actual structure of the *Canada Transportation Act*. Given that, we are going to present our concerns without being constrained by the Act, but rather in the spirit of this Review Panel’s mandate, which says: “The Panel will assess the overall effectiveness of the current legislative framework to provide the kind of transportation system that Canadians need.” So we intend to begin with a quick overview of the changing nature of the transportation industry, then talk briefly about some specific federally related transportation challenges facing the business community here in BC and then close with some general recommendations.

Transportation Industry

With the rise of a global economy transportation is going to play an ever increasing role in our economic success as a nation. This is not new for Canada as transportation played a lead role in Canada’s export-driven economy, with natural resource-based activities accounting for 46% of Canada’s total exports. But there are changes and we must learn to deal with them.

The first thing to remember is that Canada relies heavily on international trade. 46% of Canada’s GDP is exports. Raw materials and components are supplied to distant factories, making regions and nations more interdependent. Efficient and reliable transportation is critical to moving Canadian goods and people to established and emerging markets throughout the world.

The rise of electronic commerce is also a factor. Goods that are marketed and purchased through electronic commerce will need efficient and reliable transportation to deliver the items to the consumer. Distribution networks will be the key to realising the commercial potential of the Internet.

Finally we must recognise the intermodal nature of transportation today. Goods are delivered by multiple shipping modes. Given the expansive and often global scale of today's markets, getting products from production to consumer requires more than one mode of transportation. This also requires a "global logistics" :an integrated process of controlling the flow of goods and information from the supplier to consumer.

Gateways and Corridors

One of the impacts of the changing nature of the global economy is the rise in importance of Gateways and Corridors. Gateways are major points of entry into important trading regions and corridors connect gateways as directly and efficiently as possible. We have some concerns in regard to both corridors and gateways.

Vancouver is definitely a gateway. We have an effective and efficient airport. We have the Roberts Bank Container Port. We have the Fraser Port and the Port of Vancouver. We have rail access north, south, and east, and are close to the southern border for truck traffic. The potential is exceptional. Because we have shorter travel to Asia than American ports, we have an advantage that could make us the primary gateway for western North America. There is a problem however. We can not move effectively between these different modes of transport. The poor interconnectivity seriously hinders our competitiveness and we will lose traffic to the south. We need investment particularly on the South Fraser Perimeter. We also need more than one single 90-year-old rail bridge in and out of Vancouver. I know these are not specific issues this panel can address but the panel must consider ways to encourage and foster the development we need.

Similar to this challenge is the rise in the importance of North South corridors. Traffic to and from the US grew from 18% of total Canadian rail freight tonnage in 1985 to 26% in 1997. 50% of Canada's air cargo traffic is trade with the United States. Statistics on truck traffic north and south from Vancouver also indicate vast increases.

There are three things the government can do to foster trade along these north-south corridors. They need to invest in the border crossings to ensure more rapid and consistent access. Congestion is rapidly becoming a serious hindrance to economic development. They need more consistent and simplified regulations and

common standards between jurisdictions and modes. I know that the Canada US Partnership (CUSP) initiative is trying to address these issues but it bears mentioning them because of their importance. Finally there needs to be technological innovation at the borders including electronic customs processing and pre-processing. A lot of these issues are being addressed, either slowly or quickly, but we encourage this panel to ensure that policy does not stifle these kinds of innovative initiatives and ensure that funding is adequate.

North West Transportation Corridor

Another corridor issue is the Northwest Transportation Corridor, which is that extensive system of road, rail, air and marine facilities that are in place between Saskatchewan and the Queen Charlotte Islands through northern Alberta and British Columbia. For decades this corridor has been utilised but its enormous potential has never been fully recognised or exploited. In 1996 the Minister of Transport formed a task force as a means of opening the potential that this Corridor offers for realising the hopes and desires for greater economic growth for the north.

The task force produced a report in the spring of 1997 that cited the Northwest Corridor's enormous potential. It accounts for more than 13% of BC's and Alberta's combined Gross Domestic Product and the per capita GDP is 49% higher than the rest of the two provinces. The northern region comprises well over half of the land mass of the province's of BC and Alberta and yet has only 10% of their combined populations.

The report made 78 recommendations on how to improve upon and expand the economy throughout this region through encouraging greater use of this corridor. The recommendations included sectors ranging from tourism, to the grain industry, to oil and gas. These recommendations included:

- Establish daily BC Ferry service to and from Port Hardy.
- Develop Prince Rupert as a container port.
- Calculate true grain transportation costs by accounting for the entire northwestern route from the farmer to the customer in Asia -- and not just the f.o.b. price in Prince Rupert.
- Consider easing the debt load on the Prince Rupert Grain Terminal and eliminating the ownership conflict that allows the terminal owners, who also

own Vancouver terminals, from using Prince Rupert as a residual port for financial reasons.

- Reach an agreement on rail switching that would allow cargoes to transfer from BC Rail to CN Rail at Prince George without incurring a prohibitively high switching fee.

One of the recommendations, acted upon immediately was the formation of a Northwest Transportation Corridor Council which recently became the Northwest Corridor Development Corporation. Progress has been made in some other areas as well. BC Rail and CN Rail have signed agreements leading to a more competitive and efficient northern rail transportation network. The agreements will address the interchange of traffic between BC Rail and CNR in Prince George and provide for reciprocal access for each operator on the Northern line. They have most recently completed a Grain Bridging Agreement that will reduce the cost of shipping grain to Prince Rupert.

However, the poor state of BC's economy indicates that more could be done to improve the use of this corridor and encourage economic development in the north of our province. Because of the importance of using all routes to get our goods to market as efficiently as possible, we encourage this review panel to seek ways of making better use of this corridor.

Airports Devolution

The next issue we would like to address is related to air transport. The devolution of airports has made it extremely difficult for many of the smaller airports to operate. The system has favoured the larger centres over the small and has created some serious problems. It may render some airports non-viable. For remote communities this is unacceptable. In spite of the attention given to the airline merger, and the furore it has caused, airports devolution is far more threatening to many communities. In that light we would like to encourage the federal government to seek alternatives that can help these airports survive. Vancouver International (YVR), for example, is a highly successful airport that feeds off traffic from around BC. Under their devolution agreement they pay a great deal of money, some \$60 million per annum, to the federal government. What happens to that money? Could it be used to subsidise the smaller centres and outlying communities that are part of YVR's success? This may seem to be grasping at straws but our communities are desperate as they may lose their vital air links.

Grain Transportation

Prior to moving on to some general recommendations there is one more specific issue we must address. It relates to the cost of feed grains for the domestic agriculture industry. Under current policy, the transportation rates for feed grains destined for the export market are capped through the provision of the Canada Transportation Act, but rates for feed grains utilised by the domestic industry are not. The application of a maximum rate scale only to export grain, as occurs presently, adds to the competitive disadvantage faced by BC livestock and poultry sectors.

With utilisation of over 600,000 tonnes per year the differential in transportation rates of approximately \$10.00 per tonne represents a cost of \$6.0 million per year. Based on a 1996 study conducted for the B.C. Ministry of Agriculture and Food, this differential cannot be justified by a differential in actual transportation costs.

The Canadian Transportation Act needs to be amended so that all grain movement west of the Prairie region, whether destined for export or domestic industry utilisation, be treated equitably under the Act and its regulations, regardless of whether or not the Federal Government proceeds with a comprehensive reform package.

National Transportation Investment Strategy

Our next issue is the one transportation issue that we hear the most about from our members. This is the inadequacy of our highways infrastructure. An efficient national transportation system is of vital importance to Canada's economic competitiveness and continued national prosperity. Insufficient funding of highway maintenance and construction over the past two decades has resulted in a sub-standard national highway system.

A report prepared by the Council of Ministers Responsible for Transportation and Highway Safety (CCMTA) entitled *The National Highway System: Conditions and Investment Needs Update 1997* (released in September, 1998) concluded that despite expenditures of approximately \$11 billion in capital improvements and maintenance since 1988, "... the length of the system with deficiencies in the areas of paving roughness, operating speed/capacity has increased about 30 percent." The study also concluded that the benefits that would be associated with an

upgraded national highway system have increased significantly (from the previous 1988 study).

All major industrialised nations, except Canada, have recognised the importance of an effective, efficient national transportation system. They have established programs to provide the necessary capital for the ongoing maintenance and upgrading of their transportation networks. An efficient national highway system is one of the fundamental requirements of a strong growing economy. There is strong evidence that investment in improved highway infrastructure can generate significant productivity growth and support economic development. Yet, despite this evidence, the federal government has failed to implement a national highway policy or funding program.

The federal government currently collects in excess of \$6 billion annually in fuel excise and other taxes and road user fees. Less than 6 percent is returned to the system in the form of construction and maintenance projects. The estimated cost of correcting current deficiencies on the national highway system is \$17.4 billion. The benefits derived from renewal of the highway system include improved safety and efficiency, yielding reduced travel time, reduced vehicle operating costs, reduced injuries and fatalities, reduced fuel consumption and associated Greenhouse Gas (GHG) emissions, expansion of economic development, tourism and trade, and an overall increase in economic competitiveness and productivity.

The following elements are considered essential to a successful National Transportation Investment Strategy:

1. A federal/provincial/territorial agreement on a long-term funding formula to provide for the ongoing maintenance and construction of the national highway system in Canada.
2. A major part of the funding will focus on the national highway system and related safety and safety enforcement facilities to preserve essential transportation service, improve domestic productivity and enhance national competitiveness.
3. The funding program will also include provincial, territorial and federal priorities related to trade corridors, border crossings, strategic economic transportation corridors and intermodal facilities and infrastructure as part of a broader investment strategy.

The province of British Columbia has spearheaded the development of a proposal that would lead to such a program. We encourage the federal government demonstrate greater commitment to our important transportation infrastructure.

The obvious question is how does highways construction fit within the mandate of this review. We could take the easy answer and say it is a safety issue, which it is, but there is more to it than that. This is an economic issue, an issue of addressing some fundamental needs. We believe that the federal government of Canada, either through the transportation act or some other mechanism must adopt a long-term National Transportation Investment Strategy that will include sufficient funding for the ongoing maintenance and construction of Canada's national highway system and associated safety facilities.

Some will say that funding is an issue, but our members believe that a greater proportion of the federal government revenue from gasoline taxes should be committed to transportation infrastructure.

Infrastructure Funding Alternatives

Devolution and deregulation has meant that private entities must increasingly support transportation infrastructure. This is a challenge because the transportation industry is highly capital-intensive and highly capital-dependent. There are a number of alternatives that the federal government must support, or at least investigate to ensure we continue to have the appropriate investment in our infrastructure.

One way to satisfy public demand for infrastructure is through P3s, or Public Private Partnerships. While P3s are not appropriate in every circumstance, under the right conditions the P3 approach can be used to supplement traditional methods of infrastructure development. There are a number of different levels, and kinds of P3s up to and including the kind of privatisation scheme that has been so successful on the 407.

However, investment, both foreign and domestic is essential for this industry. The Policy Regime must ensure that companies are capable of attracting and providing adequate investment in infrastructure. This panel must also avoid confusing Canadian ownership, with Canadian interests. Foreign investment or ownership may be in Canada's interest if it contributes to our economic policy objectives.

Where it is not possible for the private sector to raise the necessary capital the federal government must also consider legislative changes that will allow municipalities to float bonds in order to fund much needed infrastructure.

Conclusion

As we have demonstrated throughout this presentation, transportation is an economic key and there are a number of recommendations on some specific issues. We believe however that with the correct overarching vision the Canadian government could better plan to meet the changing needs. We are not the only organisation that feels this way. The Port of Vancouver, in preparation for this review, brought together a comprehensive group of producer, shipper, academic, rail, air, truck/transport, airport and maritime representatives. They developed a vision statement for Transportation in Canada and a number of key principles that could form the basis of a new, more relevant Section 5 of the Canada Transportation Act. The principles espoused in this document would address many of our concerns as raised above.

I would like to conclude by supporting that vision statement, which says:

Transportation in its broadest sense is a key enabler of Canada's economic activity and social well-being. To support its policy of liberalised trade and the achievement of an internationally competitive and successful economy, government will implement policies that assure Canada's position as an innovative leader in the transportation of people, goods, and information.

Thank you very much for your time.