

January 23, 2015

Honourable David L. Emerson P.C.
Chair
Canada Transportation Act Review Panel
350 Albert Street, Suite 330
Ottawa, ON K1A 0N5

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Dear Mr. Emerson:

As Ministers responsible for transportation in the Atlantic Provinces, we would like to thank you for the opportunity to participate in the review of the *Canada Transportation Act* (CTA). We are pleased to communicate our collective and united concerns to the CTA Review Panel. While we acknowledge that some of our concerns may go beyond the scope of the legislative framework, we feel that they need to be addressed to sustain a responsive and efficient transportation system in Atlantic Canada and thus warrant highlighting to the federal government for consideration and action. Our collective concerns are as follows:

Sustaining Aging Infrastructure

Over the years the federal government has partnered with the Atlantic Provinces to construct a number of transportation infrastructure projects, most notably highways to improve the National Highway System. Certainly, these projects have made enormous contributions to our economies and ongoing competitiveness as a region. In addition to facilitating efficient flow of people and goods, these investments have made our transportation system much safer. We would like to commend the federal government for its partnership in bringing a number of these projects to reality.

As capacity has been added to the system, it has also created additional maintenance responsibilities and rehabilitation liabilities. Through the New Building Canada Plan, funding is available not just for adding capacity but also for rehabilitation of strategic assets such as national highways. While we are greatly appreciative of the flexibility offered by the federal government to address rehabilitation of existing infrastructure, we encourage the federal government to continue to recognize responsible asset management and to broaden program eligibility to include other infrastructure assets, such as roads that are not part of the National Highway System. More specifically, there are a number of roads in the region that may not have the traffic volumes of national highways but are nevertheless very critical transportation links in our region. Similarly, there are technological applications that can help us better utilize our infrastructure.

Ports and small craft harbours are further examples of existing assets that require federal financial participation to sustain their role in Atlantic Canada's transportation system.

We encourage the federal government to include appropriate provisions in the CTA that would ensure federal funding programs are sufficiently flexible so that existing infrastructure can be optimally maintained and utilized. We also urge the federal government to respect provincial-territorial rights to allocate and prioritize funding based on their respective needs and not dedicate funding to specific types of projects that may not be a priority for all jurisdictions.

Supply Chain Efficiency

The efficiency of our national supply chain is influenced by the transportation infrastructure and legislative and regulatory systems in each province and territory. Given that highway capacity weakness can significantly impede the national movement of people and goods, it is recommended that the Review Panel consider a national highway funding program that would be used to address critical chokepoints in the system. An example where this program could be used would be to increase the capacity of Route 185 in Quebec which connects Atlantic Canada with the rest of the nation. The full advantages of a twinned TransCanada Highway between the Quebec-New Brunswick border and Halifax cannot be exploited as weights must be reduced and Long Combination Vehicles must be decoupled to travel Route 185. While this route is extremely important to Atlantic Canada, it may not receive the same priority from the Province of Quebec.

Progress has been made in recent years through such forums as the Council of Ministers Responsible for Transportation and Highway Safety and its subordinate committees and task forces to bring uniformity to trucking weights and dimensions regulations. The Memorandum of Understanding on Weights and Dimensions which has been signed by all provinces is an example of the progress. Industry still however has identified fragmented trucking regulations and inconsistent enforcement across the country as a major impediment. Provincial variances in infrastructure capacity are often the causes of the different regulatory requirements. Though regulations are under provincial jurisdiction, a national highway funding program could help address the infrastructure weaknesses that restrict the efficiency of the national transportation system.

Airport and Air Industry Competitiveness

We encourage the federal government to acknowledge the air industry as critical to Atlantic Canada's economic competitiveness and use the CTA to implement actions to strengthen the industry. New international trade agreements such as the Canada European Trade Agreement have created new export markets for products such as fresh seafood. However, whereas traditional north-south trade with the United States predominantly utilized ground transportation, capitalizing on emerging opportunities will

depend much more on other transportation modes such as air service. To this end, we need to make every effort to ensure that Atlantic Canada has a vibrant air industry, one capable of offering affordable scheduled service for cargo and passengers.

Given that the air industry is an extremely important enabler to economic development, our four Atlantic provinces feel that the CTA needs to include the appropriate provisions to ensure that the federal financial model for airports that are part of the National Airport System (NAS) facilitates competitiveness. This could involve legislation requiring the federal government to adopt a revenue-neutral approach to airport rent, meaning that revenues received from airport authorities would balance federal expenditures on services at NAS airports. The 2012 Senate report even recommended phasing out revenue collection completely. Addressing and reducing these rents would help reduce the cost to airports which are passed on to users in higher fares as airport authorities must generate revenue from passengers and airlines to pay rent. Indeed, the Senate report identified the high cost of flying in Canada as mostly attributable to "government taxes, fees, and other charges that are either paid by passengers directly, or are charged to airports or airlines and passed on to passengers. "

It should be noted that, unlike the air service industry in the US which is subsidized, the air industry in Canada operates under a user pay model. This means that users of the system pay the full extent of the costs associated with operating the service. Not only does this make our industry less competitive, it also results in passenger leakages to bordering US airports which is a revenue loss for both provincial and federal governments.

Our region also has a few smaller NAS airports (Charlottetown, Saint John, Fredericton, and Gander) that don't have the critical passenger levels to be fully self-sufficient and generate the revenue required to make capital improvements. In fact, Transport Canada has completed multiple financial assessments on these airports and concluded that they are not financially sustainable without access to capital funding support. In comparison, non- NAS airports that are locally owned and operated can access funding for safety-related capital improvements from the Airports Capital Assistance Program (ACAP). Given the economic contributions of our air industry, we feel there is a strong return on investment for the federal government from investing in infrastructure at NAS airports and recommend that the CTA include the appropriate provisions that would make federal programs accessible to these airports. Given its importance, we also recommend that ACAP be continued for smaller locally owned and operated airports throughout the region, including Sydney, Deer Lake, and Bathurst.

To further validate our concerns, we invite you to review the June 2012 Senate Committee Report which articulates many of our concerns and proposed resolutions. As recommended in the report, a National Air Travel Strategy, complete with an overarching goal, developed through extensive stakeholder consultation might be the best approach to addressing all concerns and positioning the industry to better serve Canada's transportation needs within an increasingly global context.

Freight Rail Service

Freight rail service may be the most suitable mode of transportation for moving low-density, non-time sensitive products. It removes traffic from the highways and is more environmentally friendly than truck transport. It is also important to fostering efficiencies through multi-modal connections with marine, air and highways. CN Rail operates freight service in Nova Scotia and New Brunswick and needs to continue to be an important partner to move our region's economic agenda forward.

We acknowledge that our local markets may not be as robust and lucrative for CN as they are in other parts of Canada. To address this, we urge the Panel to consider how the Act may be more accommodating for short line rail operators to fill the void. Perhaps a solution might be to expand the Inter-Switch zone beyond 30 kilometres as was done in western Canada to help address the grain movement bottleneck.

It has been challenging to try to benchmark rail rate competitiveness in Nova Scotia and New Brunswick, but anecdotal reports suggest that there is considerable variability in rates offered throughout the nation. Industry also needs to be assured that appropriate capacity exists given that as much as 80% of NB's forestry products is moved by rail. Industry has also requested that the Common Carrier Obligation provision in the CTA be strengthened and that there be stronger remedial options to address inequalities in service and price models to protect shippers, especially as transportation costs are as high as 30% for some industries.

We recommend that the Review Panel consider adding provisions to the CTA that would help improve the transparency of rail freight rates to avoid speculative claims and ensure fair and equitable freight rates are applied by the rail carriers. To protect confidentiality, the Act may consider a provision that requires publishing annual or semi-annual average rail freight rates by product category.

We also recommend that the Panel encourage the federal government to improve flexibility to its existing funding programs offered through ACOA and other departments and consider tax measures that would encourage more private investment in rail infrastructure in Atlantic Canada. For example, the US federal government offers several incentives, including the Railroad Rehabilitation and Improvement Financing program which provides loans to railroads, governments, and other commercial entities for railroad investments. It also offers a 50% tax rebate for investments to rehabilitate and maintain track. Perhaps, a higher capital depreciation allowance for rail investments in smaller markets would encourage more private investment in new and existing rail assets in Nova Scotia and New Brunswick.

Passenger Rail Service

Passenger rail service may be the only viable transportation option for many residents living in communities in Nova Scotia and New Brunswick. Over the past two decades there has been considerable rationalization of passenger rail service. Indeed, prior to 1990, daily service from Halifax to Montreal was offered on two lines, the Atlantic and the Ocean. Service is now only on the Ocean line and is down to three days per week. This limited service was threatened by CN's announcement to abandon a section of the Newcastle subdivision until a last minute announcement on May 14, 2014 from Honourable Lisa Raitt that VIA Rail would invest in necessary track upgrades to maintain the line's operation. The need for this passenger service is becoming more acute given the ageing demographic in Atlantic Canada that is highly dependent on public transportation services. We recommend that the CTA include an appropriate provision that would commit the federal government to guarantee the existing level of service as a minimum and provide appropriate resources to Via Rail as required to continue pursuing and implementing new initiatives to rebuild the service.

Marine Ferry Sustainability

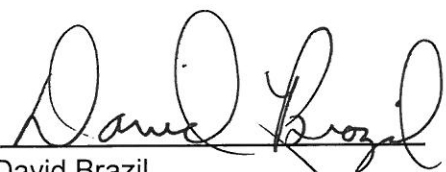
Atlantic Canada faces unique geographic challenges, with islands and peninsulas forming much of the land mass. This geography bestows special prominence on ferry services as essential transportation connectors for interprovincial and international trade and tourism. Atlantic Canada's transportation system includes a number of ferry services, which are integral to the economy of the region and the nation. Many of the ferries are aging and will require significant investments to adhere to national safety standards and to provide efficient, reliable service. Similar to passenger rail transportation, ferry operations throughout the world are commonly subsidized. The Atlantic Provinces recommend that the federal government make the necessary amendments to the CTA to ensure adequate, predictable long term funding to sustain the ferry services in Atlantic Canada, including a renewed and enhanced commitment to the Marine Atlantic ferry service between NS and NL together with reduced user prices and restored transit frequency. It is further recommended that a federal funding commitment be secured for marine crossings between Saint John, NB and Digby, NS; Caribou, NS and Wood Islands, PE; and departures from Yarmouth, NS.

Concluding, the CTA plays an important function in shaping and directing the national transportation system. Capacity added to the National Highway System over the past several years has made the movement of passengers and cargo more efficient and safer but also increased the long term liability of maintenance and rehabilitation. There are also still "choke points" in the national highway system that beckon the need for a national highway funding program. The federal government's decision to divest and privatize transportation assets and services has had mixed results in Atlantic Canada. Some of the larger airports in Atlantic Canada have thrived under local authorities, while others continue to be challenged by increased fiscal demands and limited fiscal capacities. Similarly our marine ferry and passenger rail service remains vulnerable without a firm long term funding commitment from the federal

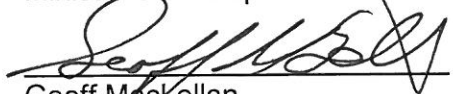
government. The trend toward deregulation of rail service has strengthened the industry as evident by record profits of our Class 1 Rail operators but service to Atlantic Canada remains vulnerable without new investment. As Ministers responsible for transportation in Atlantic Canada, we urge the Panel to consider seriously actions to address the five areas of concern we raise in this submission. We would like to elaborate and clarify our concerns and proposed solutions in a face-to-face consultation. Please contact Ms. Sadie Perron directly at 506-453-5684 or Sadie.perron@gnb.ca should you wish to arrange a meeting.

Once again, thank you for the opportunity to participate in this very import review of the CTA.

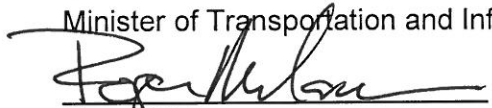
Sincerely,




David Brazil
Minister of Transportation and Works, NL



Geoff MacLellan
Minister of Transportation and Infrastructure Renewal, NS



Roger Melanson
Minister of Transportation and Infrastructure, NB



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Minister of Transportation and Infrastructure Renewal, PE

- c.c. Ms. Lori Ann Companion, Deputy Minister, Transportation and Works, NL
Mr. Paul LaFleche, Deputy Minister, Transportation and Infrastructure Renewal, NS
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