

PROVINCE OF NOVA SCOTIA
Department of Transportation & Infrastructure Renewal

CANADA TRANSPORTATION ACT
Review Panel Submission

NOVA SCOTIA - OVERVIEW

Based in part on our strategic location, Nova Scotia has a deep rooted history of trade; one that links directly to international shipping lanes, to the United States and to other provinces and territories. Our nation's economic progress is based upon interprovincial and international trade that is facilitated by an efficient and effective transportation network within Canada and beyond.

Nova Scotia plays an important role in this, by selling and supplying goods for use in industries in other provinces across Canada, and this adds to the prosperity of other provinces. The value of goods from Nova Scotia that are sold to other provinces far exceeds the value of the sales made to Nova Scotia. This is reflected in Nova Scotia's historical interprovincial-trade deficits which have been consistently over \$3 billion per year. In effect, goods transported from Nova Scotia are important for priming the economic machinery of other provinces. For this reason, investments in transportation in Nova Scotia are good for the entire nation.

With our relatively small population base, and our strategic geographic location, Nova Scotia's economic prosperity is inextricably linked to growth in domestic and international trade and tourism that is supported by our transportation infrastructure.

On an annual basis, over 1,000 Nova Scotia firms export goods and services worth close to \$15 billion. Almost 40 per cent of jobs in Nova Scotia are associated in some way with international trade activity

The United States is Nova Scotia's major international export market. While this market and its trade relationships are strategically important, businesses within the province are seeking global opportunities and are broadening their trade internationally. In particular, the Province recognizes there is room for significant growth in trade and tourism, as well as innovative partnerships and investment attraction, with Europe.

Asia, and southeast Asia in particular, is ripe with opportunity for Nova Scotia's goods and services. Our international commerce with Asia is modest when measured against the substantial growth in nations such as South Korea, India, Vietnam and China.

Against this backdrop, the critical nature of strengthening and capitalizing upon our transportation links, across all modes, is obvious.

The Port of Halifax is served by more international shipping lines than any other eastern Canadian port. This connects us to 150 countries worldwide, with the Port's primary overseas markets being in southeast Asia and Europe. For these markets, Halifax provides a full-day's transit time advantage over other east coast ports into major markets in the North American heartland, including Ontario and the U.S. mid-west. CN Rail is a key partner in the Port's growth.

Autoport, in Eastern Passage, is one of North America's largest vehicle processing and transshipment facilities. It handles nearly 185,000 vehicles per year.

The Strait of Canso Superport is one of the largest ports in Canada and handles more cargo tonnage than any other port in Nova Scotia. With its strategic location, it is well-positioned to offer a variety of marine opportunities to global shipping interests.

The Ports of Sydney offer a wide variety of services and facilities, including the Sydney Marine Terminal with its cruise ship facility, the North Sydney ferry terminal, the international coal pier, and the Sydport Industrial Park. Other key ports include Yarmouth, Digby, Shelburne, Pictou and Sheet Harbour.

Interprovincial and international ferry services connect Nova Scotia to the rest of Atlantic Canada, and to the U.S. northeast, through North Sydney, Caribou, Digby and Yarmouth. Many Nova Scotia ports, including numerous smaller communities, attract international cruise ship traffic. The Department operates eight intra-provincial ferry services.

Halifax Stanfield International Airport is Atlantic Canada's principal full service airport, with direct connections throughout North America, to the Caribbean basin, and to Europe and beyond. It offers the largest temperature-controlled cargo facility with direct airside access north of Miami, 24/7 Canada Customs service, and is the only Atlantic region airport with U.S. preclearance service.

Key airports include both Sydney and Yarmouth. The J.A. Douglas McCurdy Airport in Sydney recognizes a Cape Breton aviation pioneer from Baddeck who piloted the first flight in the British Empire as part of Alexander Graham Bell's Silver Dart team. The Yarmouth International Airport began as an air force training base during World War II.

In addition to CN Rail, Nova Scotia is served by several shortline railways. The Sydney Coal Railway is a federally-regulated shortline operating in Cape Breton Regional Municipality. There are also two provincially-regulated shortlines, the Cape Breton and Central Nova Scotia Railway (CBNS) and the Windsor and Hantsport Railway Company (WHRC). The shortlines provide rail service to local shippers and serve as feeders to CN Rail. Currently, due to a lack of traffic, the WHRC is not operating.

VIA Rail operates a transcontinental rail passenger service, the Ocean, between Halifax and Montreal. The three-day-a-week service provides an important connection for passengers within the Atlantic region, as well as providing key connections to Montreal, Toronto and Western Canada.

The Nova Scotia Department of Transportation and Infrastructure Renewal (NSTIR) plays a vital role in building and maintaining a safe public infrastructure that Nova Scotians rely upon every day. Unlike many other provinces, the Province of Nova Scotia is responsible for maintaining the majority of all public highway infrastructure in the province (90 per cent), consisting of 23,000 kilometres of roads and 4,100 bridges.

These key pieces of infrastructure and transportation services provide Nova Scotians with the opportunity to access global markets. Indeed, in part due to our natural advantages, we are fortunate to have direct global access to many markets that our population base alone would not otherwise warrant. It is up to us, collectively, to take full advantage of that opportunity.

PROGRESS SINCE THE LAST CTA REVIEW

The Province believes there have been many significant positive developments in the transportation sector since the last CTA review. In particular, we note:

- Air policy liberalization (including Canada's Blue Sky Policy)
- Significant increases in federal funding for transportation infrastructure
- Focus on key strategic gateways and corridors
- Beyond the Border initiative
- Measures implemented as a result of the Rail Service Review
- Expansion of free trade agreements, such as the Comprehensive Economic and Trade Agreement (CETA) between Canada and the European Union

The federal government has played a key role in each and every one of the above developments, often as the central driver. We wish to acknowledge and applaud the federal government's role. As a province, we believe we have done our part, and we will continue to do so.

As we move forward, Nova Scotia believes funding solutions to our nation's infrastructure needs should be more flexible and more creative. Although mechanisms such as the *Build Canada Fund* have worked reasonably well in the past, we believe Canada would benefit from a greater emphasis on maintaining our existing transportation infrastructure in the coming years.

Furthermore, Nova Scotia's infrastructure needs differ significantly from other provinces and territories. In addition to having a small and dispersed population, the Province is responsible for 90% of the highway system. This is the reverse situation from many large jurisdictions. In the central Canadian provinces, for example, over 75% of the highway system falls under municipal jurisdiction.

The discussion that follows focuses on Nova Scotia's perspective and concerns with respect to issues and opportunities in the various transportation modes.

AIR

Nova Scotia believes the most important air-related issue we have faced over the past decade and beyond has been international air policy. For far too long, Canada was constrained by an antiquated air policy environment that stifled opportunity for our communities, our businesses, our exporters and importers, our tourism industry, our airports, and our air carriers.

We have all benefited from the progress that has been achieved as part of Canada's Blue Sky policy. Of particular importance to Nova Scotia are the open-sky-type agreements Canada has put in place with the United States, the European Union, and Iceland.

Wherever there is real opportunity for mutual benefit, we need to continue to expand our agreements with other nations, both bilaterally and multilaterally whenever possible, and provide enhancements to existing and future agreements. Such enhancements include a mutual exchange of open fifth and seventh freedom traffic rights for both passenger and all-cargo services with other nations that would provide a more competitive environment and benefit our communities and our carriers.

The federal government continues to extract a significant amount of money from our air transportation industry in the form of airport rents, security charges, and fuel and other taxes. This has hampered the ability of Canada's air carriers and airports to compete with their counterparts south of the border. In many cases, the result has been lost traffic to US air carriers and US airports.

We encourage the Review Panel to examine this issue with a view to recommending reasonable steps that might be made to improve the situation. For example, airport ground rents could be capped and subsequently phased out over time, and non-aeronautical revenues could be exempted from the rent calculation. Growth of commercial revenues at airports, rather than aeronautical revenues, will significantly increase the competitiveness of Canadian air transportation and benefit all of us.

The Airports Capital Assistance Program (ACAP) has been crucial for smaller airports in Canada, including Sydney. It is important this program continue, with consideration given to funding increases as time goes by.

RAIL

Given our distance from major markets, Nova Scotia relies on rail to ensure that we are competitive nationally and globally. It is noteworthy we are only served by one national rail line.

The competitiveness of the rail system in Canada is important in order for communities to access markets for economic growth and development. There is not only a national role for rail: freight and passenger, but also a regional role. One cannot address transportation issues in one sector of the economy or one region without giving consideration to possible impacts on other sectors and regions. Federal policies and programs should consider strengthening the economic integration of the regional and remote areas of the transportation system.

Nova Scotia supports a more predictable and adaptable rail freight transportation system. At the Port of Halifax, for example, there is a level of service agreement involving CN, the Halifax Port Authority, and the container terminal operators. Although the Port faces challenges in the competitive international container marketplace, this agreement and the cooperative spirit it fosters bode well for our future.

Grain transportation makes up a significant amount of rail traffic in Canada: 20% of total freight weight shipped in Canada in 2013 (Canadian Transportation Agency presentation, September 11, 2014, to the Chartered Institute of Logistics and Transport). If the Review Panel proposes solutions that include legislated service standards, we strongly feel the Panel must give consideration to what potential impacts there might be on the remaining shippers and regions of the country. Our primary concern is that the broader costs of legislated solutions are clearly understood and taken into account.

Shortline railways play an integral part in the national transportation system, whether under federal or provincial jurisdiction. The flourishing of shortlines in the 1990's is a direct result of the 1986 Canada Transportation Act Review, and the relaxation of abandonment regulations at that time.

Today shortlines and provinces are grappling with rail infrastructure issues. Many Provinces have invested in shortline railway infrastructure through loans, direct investments or operating subsidies. Shortlines are investing in the maintenance of their infrastructure to ensure compliance with the regulations. However, we are concerned that this can be a minimum investment that does not ensure the long term viability of their operation and infrastructure.

Most shortlines and their shippers are captive to a single national carrier. One of the factors affecting a shortline railway's viability is its financial relationship with a national carrier. We note that shortline railways, under provincial jurisdiction, do not have the same access as shippers or railways under federal jurisdiction to the competitive access provisions of the CTA. We would ask the Review Panel to explore the relationship between shortline railways and national carriers, and the importance of shortlines in the national transportation system.

VIA Rail operates the transcontinental rail service, the Ocean, between Halifax and Montreal three days a week. There is a public expectation that governments will support the continuation of VIA Rail service to Atlantic Canada and Nova Scotia. VIA Rail passenger service is considered a national transportation service, a federal responsibility. The Province presented our position to the Minister of Transport in the spring of this year, stating that the current 3-day-a-week VIA Ocean service schedule is the minimum level of service required to meet the needs of Nova Scotia.

Across Canada there is public concern over the safe movement of trains, especially trains carrying TDG products. There has been, and will continue to be, an increase in the movement of TDG products through Canadian communities. Governments, railways, shippers and industry are all partners in ensuring the transportation system is safe, and that the public is safe. Our experience thus far is that the stakeholders (government and industry) are acting responsibly to address these concerns. We would note that any proposed regulatory actions or liability insurance requirements will need to be harmonized on a North American basis as trains and rail cars operate across borders.

The rail industry is relying more and more on technology to perform rail safety tasks. For example, railways are increasing the number and use of improved trackside detection equipment. The use of technology is a welcome addition to the current regulatory requirements and industry standards. We still see the need, however, for the continuation of the current regulatory regime. For example, railways need to continue to perform "on the ground" freight car inspections, especially for TDG cars. Many TDG cars travel great distances, crossing Provincial borders. There is some comfort in knowing that these cars, whether one car or in a consist of twenty, are being inspected at regular intervals.

ROAD

The NSTIR 2014-2015 *Five-Year Highway Improvement Plan* outlines major highway and road projects, repaving, major bridge replacements, capital maintenance and infrastructure work the province plans to pursue year-by-year over the next five years. This is a comprehensive plan that establishes our priorities, and one that shows a great deal more attention is needed to keep our roads safe, our communities and businesses connected, and our economy growing.

One of our key initiatives is to use federal funds through federal cost-shared agreements, such as the *Build Canada Fund*, to leverage our ability to address priority infrastructure needs across the province. More specifically, this funding will help improve bridges in many communities, extend twinning of major highways such as Highway 103, complete Highway 101, and complete the Burnside connector.

There has been significant expansion and improvement of our National Highway System and other major routes in Nova Scotia. The pressing requirement now is rehabilitation of our existing highway infrastructure, which includes over 4,000 bridges.

Many of our bridges were built just after Confederation! Another building phase came after the Second World War during a period of significant economic stimulus spending. About half of our bridges are 50 years or older, and some are now over 100 years old. This gives a stark sense of the magnitude of the bridge replacement/rehabilitation task that faces us.

MARINE

The Atlantic Provinces are comprised of many coastal communities interspersed in our unique geographic makeup, with the ocean or a significant body of water never far away. Essentially, in addition to Labrador, we are three islands and one peninsula, with New Brunswick being the only province with a land border to the United States. At heart, we are a maritime people.

Our ferry services are an integral part of our societal and cultural well-being. In addition, many key Nova Scotian industries, including fish and seafood export businesses and tourism, depend heavily upon reliable and sustainable ferry services. Without our ferries, we would be disconnected. We would be very much poorer, not just economically, but as a society and a community.

It is encouraging that the federal government has recognized this reality with recent commitments, including contract extensions to key ferry service operators, and infrastructure investments, including a long-needed new vessel for the Digby-Saint John ferry service. The federal government's investment in a new Marine Atlantic terminal building in North Sydney, expansion of the marshalling yard, and other key projects, are also certainly warranted and should improve customer service levels.

It has been a difficult first year of operation for the Yarmouth-Portland ferry service. The service has been re-launched after a four-year discontinuance. The service attracts New England visitors to not only Nova Scotia but to the entire Atlantic region. Despite the high value of ferry service to the community and to the region, costs associated with start-up and operations challenge the long term viability. Passenger traffic numbers improved late in the season, and this is a hopeful sign for next year. While it contributed

to the cost of upgrading the Yarmouth Ferry Terminal, the federal government does not provide operating funds towards the international connection the ferry makes with New England.

Despite positive signs, there remains unease about our ferry services going forward. Anything the Review Panel might do to reinforce the desirability of long-term certainty for our ferry services with the federal government would be most helpful. In particular, future agreements between the federal government and the operators on both the Caribou-Wood Islands and Digby-Saint John services should extend well beyond the recent practice of 2-3 year windows.

Experience with ferry services across North America teaches us that some level of on-going subsidy is required. As well, with a new vessel being introduced on the Digby-Saint John service in 2015, vessel replacement on other services will soon be necessary.

Within the Province, NSTIR operates eight intra-provincial ferry services. We transport over 1.2 million passengers and over half a million vehicles annually. In 2010, Transport Canada approached the Province to act as regulator of the ferries. As the ferries travel strictly intra-provincially, the Province questioned Transport Canada's constitutional authority over the vessels, but agreed to abide by federal regulations on a voluntary basis.

Due to the age of the ferries (average age of the fleet is 22 years) and the fact that Transport Canada is treating them as new vessels under the *Canada Shipping Act*, compliance with the regulations is an arduous task. To date, the cost has been almost \$100,000, and may rise to \$300,000. In addition to inspection fees, there are upgrades required to lights, masts, rescue boats, davits, and possibly a bulkhead on one vessel

The trend toward larger vessels in the global liner shipping industry bodes well for ports in Nova Scotia. We have many natural deep-water, ice-free harbours, including Halifax, Strait of Canso and Shelburne, and Sydney harbour has recently been deepened to accommodate larger vessels as well. In fact, just over a year ago, in July 2013, the first of the 7500 TEU class "big ships" called at Halifax. As this trend continues, prospects for our ports are very positive.

We wish to acknowledge the federal government for its participation in a number of key port investments in Nova Scotia, including our container terminals, the Richmond terminal, shore power for cruise vessels at Halifax, and the Sydney harbour deepening project. Our partnerships with the federal government in such strategic infrastructure projects represent sound investments in Canada's future, and need to continue as opportunities arise.

M.V. MINER

In September 2011, the M.V. Miner was shipwrecked off Scatarie Island, Cape Breton, a provincial wilderness area. To date, the federal government has refused any monetary assistance in the clean-up of the site, which contains hazardous materials, including more than 38,000 kg of materials containing asbestos, which is 31,000 kg more than the Province was led to believe from the "Green Passport" report. In addition, while we were informed that all of the fuel had been removed, we have now removed 28,500 liters of diesel to date, and we suspect we may find some other oils as the salvage continues.

While the responsibility for the clean-up rests with the ship owner, Arvina Navigation, it was unacceptable to the community, and irresponsible of any government, to allow the site to continue to impact the coastal environment and marine navigation.

The Province is in the final stages of clean-up at a cost of approximately \$15 million. Nova Scotia believes that federal monetary support and federal legislative action to effectively deal with such vessel abandonment disasters is critical to timely response and management for impacted communities.

ENVIRONMENT

The transportation sector is one of the largest sources of air pollution and greenhouse gases (GHG) in Canada. In 2012, the sector accounted for 25% of Nova Scotia's total greenhouse gas emissions. In addition, air pollutants like carbon monoxide, nitrogen oxide, sulphur oxides, volatile organic compounds, and particulate matter are also an issue when it comes to emissions from transportation.

Nova Scotia is engaged in several internal environmental initiatives aimed at reducing greenhouse gas emissions, including an anti-idling policy for government vehicles, an equipment operator training program (Smart Driver) and Weigh-In-Motion programs. The Province continues to explore alternative vehicles and fleets, alternative fuels, better land-use planning, and active and sustainable transportation modes.

The federal government's role in addressing transportation emissions and other environmental issues is paramount. Continuing federally-sponsored research and development is important, especially in the realms of climate change adaptation, and alternative vehicles and fuels.

There are many federal programs, for example, Shore Power Technology for Ports, ecoTechnology for Vehicles, Clean Transportation Research and Development, and Smartway, that are designed to help mitigate emissions from transportation. If Canada hopes to achieve environmental success, such programs need to continue.

Lead departments in the federal government (Environment, Natural Resources Canada and Transport Canada) should continue to share and disseminate information with the provinces and territories, and with the private sector.

GATEWAY / TRADE CORRIDOR

Nova Scotia is well-positioned to be a natural intercontinental gateway and trade corridor between Europe and Asia, on the one hand, and North America, on the other.

While Europe continues to be a significant trading partner, many people do not realize that the Port of Halifax moves more Asia-based container traffic today. Growth in via-Suez liner services has provided the impetus for this to happen.

On the North American side, Ontario and Quebec remain significant origin and destination markets, but US mid-west traffic moving via Chicago is also of increasing importance. CN Rail is a crucial partner in pursuing these markets, and the Province works closely with the Port, the container terminal operators, and CN.

Unlike the majority of North American airports, Halifax Stanfield International Airport enjoys a cargo imbalance in favour of "export" cargo versus "import". This is a challenge, of course, but it also presents a tremendous opportunity. Many air carriers are seeking back-haul cargoes out of North America, and Halifax is well-positioned to offer an alternative.

The Province works closely with the Halifax Gateway Council, and similar groups in Nova Scotia, to move gateway opportunities forward, be they in the air mode or marine/rail/road related. The Halifax Logistics Park is a key piece of infrastructure, offering high-level logistics and warehousing capability, and quality intermodal connections to the Atlantic region, and to Canadian and US markets beyond.

The Comprehensive Economic and Trade Agreement (CETA) between Canada and Europe is a major focus of Nova Scotia in the near term. We believe Nova Scotia can be a conduit for European businesses into the NAFTA zone.

More recently, Canada and South Korea signed the Canada-Korea Free Trade Agreement. This is a landmark agreement, Canada's first free trade agreement in the Asia-Pacific region. We are excited by the opportunities this agreement will produce for Nova Scotia and Canada.

KEY CHALLENGES

The Province of Nova Scotia would like to close our submission to the CTA Review Panel by emphasizing three key challenges we all face:

- Funding aging transportation infrastructure
- Ensuring the transportation needs of rural Canadians/Nova Scotians are met
- Supporting competitiveness of Canada's transportation industry

AGING TRANSPORTATION INFRASTRUCTURE

The Province and private sector providers of transportation infrastructure all face the same challenge: how to sustain infrastructure in the long term.

In relation to the available funding sources, the need can be overwhelming. On our highway system alone, we estimate Nova Scotia has a total accumulated infrastructure deficit of approximately \$4 billion. This produces a need to focus on "rehabilitation" rather than "new" highway construction, although there are pressing safety concerns in the latter area as well.

Generally speaking, Nova Scotia is pleased with the long-term stable funding that the *Build Canada Fund* provides. Indeed, we are challenged to meet the existing "matching dollar" requirements today. We do note the following areas where we believe improvements could and should be made:

- More funding flexibility, i.e. not just the National Highway System. There is significant variation across the country on the amount of highway infrastructure the provinces (versus municipalities) are responsible for maintaining.
- More autonomy for Provinces. Provinces are best positioned to know priorities. The "base" amount should not be project-based as it now is, but rather a program where the province notifies the federal government, with a more streamlined process for approvals.
- A shift of emphasis from "new" to "rehabilitation" capital work. Given the growing demands of existing infrastructure, this would be a prudent course of action for our country going forward.

Nova Scotia has a limited budget for highways. We try to maximize the leveraging of federal monies. Therefore, there is an emphasis on "eligible projects", which leaves us with less capacity to focus on other provincial priorities. To illustrate, one example is work on the Cabot Trail, which does not qualify for BCF funding, but which has significant cultural and economic importance to the province.

RURAL NOVA SCOTIA

Rural areas of Nova Scotia, perhaps similar to rural areas throughout Canada, have not realized the same transportation benefits as major population centres. It is perhaps fair to say the gap is growing.

The primary challenge for all levels of government is to determine the type and level of service that is appropriate to the demand, and devise appropriate measures to facilitate adjustment of service levels to demand. An aging population with increasing mobility issues does not make this task any easier, but it does make it more urgent.

Sustaining transportation services in rural communities throughout our province, be it bus, ferry or rail services, is important to Nova Scotia, and undoubtedly to other provinces and territories as well. It comes with many significant challenges, including funding, environmental, and community development impacts.

The recent One Nova Scotia Commission Report, *Now or Never: An Urgent Call to Action for Nova Scotians*, emphasizes the importance of rural-based industries, including fisheries, mining, forestry and agriculture. As we move forward with the work of the oneNS Coalition, strengthening rural transportation infrastructure and services is necessary to support economic growth and enhance accessibility.

COMPETITIVENESS OF THE TRANSPORTATION INDUSTRY

Appropriate government policies and regulations will support safe, effective and efficient transportation services, and facilitate trade and development. We should not lose sight of these objectives.

As but one example, the structure of fees and taxes imposed on Canada's aviation system has negatively impacted the industry. The high cost of flying to and from Canada, and within Canada, is the result of various fees, charges and taxes passed on to travellers and airlines. The Canadian Airports Council has estimated that more than 5 million Canadians travel annually out of US airports instead of Canadian ones, in part because of the cost differential, and thus the lower air fares available.

CONCLUSION

The Province of Nova Scotia thanks the CTA Review Panel for the opportunity to make our views known. We very much look forward to the results of your valuable work.

Transportation is a catalyst for our society and our economy. Strategic investment and oversight of the transportation sector is necessary to ensure safe, effective, efficient and sustainable networks for future growth and prosperity for Nova Scotia and Canada.

Transportation has been a cornerstone of this nation since its inception. It has been sometimes suggested that Canada exists despite its geography. If this is indeed the case, there can be no doubt that transportation's role in our country's very existence has been critical.

