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The Honourable David L. Emerson P.C.
Canada Transportation Act Review Secretariat
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March 10, 2015

Dear Mr. Emerson,

I am writing to share the thoughts of the members of the Partnership for Resource Trade as you review the importance of transportation and the Canada Transportation Act.

About the Partnership for Resource Trade

The Partnership for Resource Trade (the Partnership) seeks to engage Canadians – from all walks of life and all parts of Canada – in the important national discussion about the key role that natural resources play in our success as a country. The responsible use of Canada's abundant natural resources has always been – and continues to be an important source of pride, opportunity and social and economic benefit to Canada.

Participation is open to any and all individuals or organizations who subscribe to our goals and it relies upon voluntary contributions to fund its activities. To date, the Partnership has 43 participating members and thousands of public supporters. *A list of our members can be found in Appendix 1.*

The Partnership believes that the Federal Government is focused on the right things: on resource trade, free trade agreements, reducing regulatory burden and seamless trading with the United States through Beyond the Border Action Plan type initiatives. However, these efforts will be irrelevant if we don't allow for a transportation network that grows with global trade and competition from other nations.

Importance of Transportation to Resource Trade

According to Transport Canada, energy and resource products make up over 90 percent of the \$95 billion of marine exports from Canada's ports. Approximately half of Canada's \$77 billion worth of rail exports are energy and resources. In addition, a further \$72 billion of the \$162 billion of truck exports are energy and resource products.

Approximately 43% or \$203 billion of Canada's total exports, valued at \$471.7 billion in 2013, come from energy and resource products. Resources matter to the Canadian economy and to our nation's future.

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With significant land mass and challenging geography, Canada's competitiveness relies on an efficient transportation network enabling a variety of supply chains to bring product to market. These are multifaceted and rely on numerous modes. Consider these three examples:

- *Canada's forests are harvested across the country. The primary products are wood, pulp and paper products. The largest wood product is sawmill lumber – some 98% of which is softwood lumber (principally spruce, pine and fir species) and the balance is hardwood lumber (produced only in Ontario and east). BC and Quebec are the largest producers of lumber. Forest logs are transported by truck to sawmills and processed into lumber. The US is the largest importer of Canadian lumber and, in terms of quantity, accounted for 67% of Canada's lumber exports in 2014. However this figure is down from years past due to the softwood lumber trade dispute between Canada and the US. Shipping is growing in importance as a growing percentage of Canadian lumber exports are to China and Japan, with lesser volumes to Europe, South Korea and India.*
- *Canada is the world's largest producer of potash, accounting for approximately 37 percent of global capacity and 30 percent of production, and the reserves mined in Canada are among the highest quality deposits in the world. Canada exports more than 95% of its potash – with more than 50% of the exports shipped to the US. Other important export destinations are Brazil, India and China. More than 95% of Canadian production is sourced from ten mines in Saskatchewan, with the remainder from a PotashCorp facility in New Brunswick. Most of Canada's potash is moved by rail to various ports for offshore export. Significant amounts are moved to US destinations – St Paul, New Orleans, Chicago, Louisville, and St Louis some for export offshore by barge via the Mississippi River system.*
- *Canada is among the world's top seaborne exporters of metallurgical, or steelmaking coal. The majority of Canadian steelmaking coal production is transported west by rail to the coast of British Columbia and shipped from there to Asia, Europe and South America.*

Global Competitiveness and Free trade agreements

Canada is a trading nation: a relatively small population of 35 million people, spread across some 6,000 kilometres, who need global trade to ensure prosperity. Low cost, efficient transportation is critical to our global competitiveness. Successive governments over the past 30 years have focused on enhancing Canada's access to world markets and new trade agreements have been welcomed by the business community and embraced by Canadian citizens. As we see the fruition of new trade agreements, such as the most recent one with the European Union, we are reminded that access to an open market creates opportunity for Canadian businesses.



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But we are not alone in negotiating trade agreements and our competitors around the world are racing to open new markets for their goods and services. Increasingly, competitor nations, such as Mexico, are investing in their road, rail and port infrastructure to ensure that opportunities for new investments will not be hampered by logistical challenges. Mexico is becoming the darling of the automotive manufacturing world, and with new plants being built by companies like Audi, Mercedes and BMW it is expected that by 2016 it will become the third-largest car exporter after Japan and Germany. Access to markets is one reason they are choosing Mexico.

This global competition is not only a challenge for business; it is a challenge for government and policy makers. We cannot afford to stand still. We must embrace change and look for step changes in our progress, whether it be the elimination of red tape, harmonization of border policies, skills development or commercialization, we need the federal government, as our national champion, to take a strong leadership role.

Infrastructure Expansion

The development of Canada's North, and that region's resource potential, has been recognized as a policy priority -- from Canada's Northern Strategy to the Arctic Foreign Policy, and most recently as Canada's theme while Chairing the Arctic Council -- but substantive infrastructure barriers prevent companies from operating on a level playing field in the North relative to other regions in Canada. In many respects, the future of Canada's sector lies increasingly in remote and northern regions. Like uniting Canada through the construction of the Canada-Pacific Railway -- an infrastructure project of unprecedented scope and size for that time -- required a nation-building vision, so too does unlocking Canada's northern development potential, and the level of new infrastructure to facilitate this development.

At the same time, the Federal Government currently owns and manages transportation assets that would be better managed and financed by the private sector. History has shown that when these assets are deregulated or privatized, the result is increased investment, the potential for better service and improved safety. If a transportation asset can be owned and managed by the private sector, be it a bridge, a port or an operation such as ice breaking, this would free up resources for the Federal Government to focus on the north and other areas where government leadership is required.

Long lead times and planning

Transportation infrastructure is somewhat unique because of the long lead times required to plan and execute its development. We should have a very good idea of what our transportation infrastructure looks like in 2015 in contrast to what it needs to be in 2035. Then we can work together on the gaps. This will require solid data collection and analysis with input from producers, manufacturers and transporters. For such a broad project, someone needs to create a platform for



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discussion and the federal government is ideally positioned to take on this role. Working together toward a vision for our transportation network, or the development of a long term infrastructure strategy, requires collaboration between all the players and leadership from the federal government.

Sustainability

As a country with four seasons and a challenging climate, a sustainable approach is one that will ensure that our transportation infrastructure is resilient enough to withstand severe weather events. A sustainable approach is one that is designed for efficiency so that costs are reduced and productivity gains can be made. It is one that reduces the need for energy as much as possible, while respecting the value and heritage of our exceptional natural environment. It is based on a commercial framework and a market-based approach to ensure that new investment and growth will keep pace with the economy.

Conclusion

Government is focused on the right things: on resource trade, free trade agreements, reducing regulatory burden and seamless trading with the United States. However, these efforts will be irrelevant if we do not plan for a transportation network that grows with global trade and competition from other nations. We need to encourage new investment and collaboration. This can be achieved by a commercially focused transportation infrastructure strategy that emphasizes competitiveness, investment and transportation, logistics and supply chain innovation.

As you deliberate with your Review team, we hope that you will consider the needs of our resource-based industries. If you would like additional information, please contact me at your convenience.

Sincerely,

Hon. Jean Charest
Chair, Partnership for Resource Trade



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Appendix 1

Advisory Council Members

The Partnership for Resource Trade is very grateful to these leading individuals and organizations for their public support, advice and counsel.

Martha Hall Findlay, Chair, Advisory Council
School of Public Policy, University of Calgary

Denise Amyot, Colleges and Institutes Canada
Michael Atkinson, Canadian Construction Association
Perrin Beatty, Canadian Chamber of Commerce
Roxanna Benoit, Enbridge
Robert (Bob) Blakely, Canada's Building Trades Unions
Michael Bourque, Railway Association of Canada
Chris Breen, TransCanada Corporation
Jean Charest, McCarthy Tétrault; Chair, PRT Steering Committee
David Collyer
Greg D'Avignon, Business Council of British Columbia
John Dillon, Canadian Council of Chief Executives
Dawn Farrell, TransAlta
Virginia Flood, Rio Tinto
Monica Gattinger, University of Ottawa
Russ Girling, TransCanada
JP Gladu, Canadian Council for Aboriginal Business
Pierre Gratton, Mining Association of Canada
Heather Kennedy
Bob Klager, Shell Canada
Peter Kruselnicki
David Lindsay, Forest Products Association of Canada
Donald Lindsay, Teck Resources
Kevin Lynch, BMO Financial Group
John Manley, Canadian Council of Chief Executives
Ted Menzies, CroPLife
James Millar, TransCanada
Lorraine Mitchelmore, Shell Canada
Al Monaco, Enbridge
Stewart Muir, Resource Works
Jayson Myers, Canadian Manufacturers & Exporters
Bob Oliver, Pollution Probe
Patricia O'Reilly, Suncor Energy
Jill Price, Asia-Pacific Foundation
Lionel Railton, International Union of Operating Engineers
John Riskey, Clearwater Fine Foods
William B P Robson, CD Howe Institute
Johanne Sénécal, Mining Association of Canada
Indira Samarasekera, University of Alberta
Steven Schumann, International Union of Operating Engineers

Marcia Smith, Teck Resources
John Telford, UA Canada
Rodney Thomas, Prospectors & Developers Association of Canada
Scott Wenger, Suncor Energy
Don Wharton, TransAlta
Steve Williams, Suncor Energy
Duncan Wilson, Port Metro Vancouver
Wendy Zatlyny, Association of Canadian Port Authorities



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