



# **Submission to the *Canada* *Transportation Act* Review Panel**

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## EXECUTIVE SUMMARY

The views expressed in this submission are those of a global industry which connects Canada's supply chain to global value chains. Our comments are limited to the issues listed in the Panel's mandate that are relevant to international freight transportation. These comments are therefore trade-oriented and consider logistics efficiency as crucial to international competitiveness (border management/trade facilitation being an intrinsic element of such logistics efficiency). This perspective transcends modes and government levels and agencies.

With respect to the review at large, ocean shipping believes that the approach taken in the National Transportation Policy (based on competition, user needs, lowest possible costs, highest practicable safety and security standards, and sustainable environment) continues to be the approach that offers the greatest potential. The National Transportation Policy could however be updated and it should be made clear that it is an **"all of government"** policy.

However, in situations where there is no competition, the approach should provide for **government-induced substitutes to competition** (such as checks and balances, transparency and benchmarking, and planning for surges and disruption recovery), and ultimately for the "importation" of competition.

The approach should also integrate the **network, logistics and collaborative dimension** that is inherent to the success of today's value chains. In situations where this dimension is not sufficiently present, it should be induced by government with a view to enabling value chains to perform better on their Canadian segment.

**Strategic gateways and corridors should be developed and leveraged by gaining statutory status** in the *Canada Transportation Act*, which would operationalize gateways and trade corridors by encompassing infrastructure, financing, governance, labour, resiliency and responsiveness, data gathering and benchmarking (on capacity, fluidity and costs), and monitoring of the safety and environmental issues raised by traffic.

We very strongly believe that this review is a timely opportunity for **aligning** the current mosaic of statutes, regulations and practices that govern transportation in Canada with a general framework that helps connect the pieces together, thereby **adding value to the system as a whole**.

## INTRODUCTION

**The Federation and the industry it represents:** The Shipping Federation of Canada was incorporated by an Act of Parliament in 1903 to represent international shipping in Canada. Its members are the owners, operators and agents of ocean ships that call Canadian ports and carry Canada’s world trade. International shipping plays a crucial role at both the beginning and end of Canada’s freight transportation chain by either bringing imports into or taking exports out of Canada, and connects this chain to global value systems.

Much of our industry is inherently intermodal, as anything that is carried by ship must be transported on land at both the front end (before loading) and back end (after unloading) of its journey, and therefore requires a suitable land-based interface and connecting mode (rail, truck, or pipeline).

**Our interest in the review:** Our interest in the *Canada Transportation Act* Review stems from the fact that we see the *Canada Transportation Act* in general - and the Canada Transportation Policy contained in section 5 of the Act in particular - as potentially powerful tools for aligning the current mosaic of statutes, regulations and practices that govern transportation in Canada with a general framework that helps connect the pieces together, thereby adding value to the system as a whole. This being said, we will limit our comments to the issues listed in the Panel’s mandate that are relevant to international freight transportation, as this is where our mandate and expertise reside.

We also wish to underline our belief that it essential for this review to result in an "all of government" policy which aligns all the relevant departments and agencies that interact with the carriage of international trade, so they operate in the most “supply-chain friendly” manner possible (given their respective core mandates).

**Emerging patterns and trends for Canada:** In some ways, this review can be construed as a strategic planning exercise for Canada’s transportation framework, which will identify the critical issues that must be addressed in order to bring this framework to the next level.

Within such a context, the Federation supports the general findings of Transport Canada’s Strategic Policy & Innovation directorate<sup>1</sup>, according to which:

- The “new normal” era (global context to 2025) is characterized by slower economic growth, low interest and inflation rates and shifting global trade patterns, and presents new interconnected challenges and opportunities for Canada and its transportation system. The top six global trends that will shape the period to 2025 are:

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<sup>1</sup>Craig Hutton, *Looking Ahead: Risks and Opportunities Facing Canada’s Transportation Sector to 2025*, presentation to the Commodity Supply Chain Table, June 26, 2014.

1. Rising socio-economic uncertainty and complexity;
  2. Growth of “BRICs” and emergence of “breakout” nations
  3. Growing natural resources trade
  4. Climbing the technological ladder
  5. Shifting demographics
  6. Greening global growth
- Based on the evidence, 10 issues emerge as having the greatest impact on Canada’s transportation system to 2025:
1. Sector restructuring
  2. Sector competitiveness
  3. Building leaner, more agile and resilient supply chains
  4. Movement of energy resources
  5. Evolving security threats
  6. Opening up of the North
  7. A portfolio of power trains
  8. New financing landscape for transportation infrastructure
  9. Transportation that supports well-planned cities; and
  10. Rising skill shortages and growing demand for more accessible transportation

**Canadian reality from an ocean carrier’s perspective:** In dealing with the global trends and issues identified above, Canada must be mindful of its own realities. From an ocean carrier’s perspectives, those realities can be described as follows:

- The Canadian market is relatively small and costly<sup>2</sup>( the latter being due to both its scale and its labour costs), and its attractiveness is based (to some extent and depending on the type of trade involved) on a carrier’s access to the US market. In the same vein and generally speaking, US standards trump Canadian standards, as ocean carriers wish to be able to call US ports before or after calling Canadian ports.

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<sup>2</sup> The World Bank’s *Doing Business* series shows that Canada is consistently more costly – and considerably so - than the US, Germany or China for importing or exporting a 20-foot container.

- The logistics networks serving Canadian markets are continental.
- Because Canada is an exporter of natural resources but not a low-cost producer, it needs access to the most efficient transportation system possible in order to be competitive on the global market. The link between international trade performance and logistics performance has been documented by various organizations<sup>3</sup>, and Canada’s logistics performance is annually benchmarked against that of other countries (notably through the World Bank’s Logistics Performance Index<sup>4</sup>).
- Monopolies are Canada’s most significant transportation impediments with respect to trade, as they translate into higher costs, lower responsiveness to user needs, and slower innovation than would have been induced by competition.

### **Approach with the greatest potential to support future Canadian prosperity:**

We believe that the approach taken in the National Transportation Policy (based on competition, user needs, lowest possible costs, highest practicable safety and security standards, and sustainable environment) continues to be the approach that offers the greatest potential.

However, in situations where there is no competition, the approach should also provide for government-induced substitutes -such as checks and balances, transparency and benchmarking, and planning for surges and disruption recovery - and ultimately for the “importation” of competition.

The approach should also integrate the network, logistics and collaborative dimension that is inherent to the success of today’s value chains. In situations where this dimension is not sufficiently present, it should be induced by government with a view to enabling value chains to perform better on their Canadian segment.

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<sup>3</sup> World Economic Forum, *Enabling Trade, Valuing Growth Opportunities*, 2013; World Bank, *Connecting to Compete – Trade Logistics in the Global Economy*, 2014.

<sup>4</sup> Logistics Performance Index in World Bank, *Connecting to Compete – Trade Logistics in the Global Economy*, 2014. See also the Enabling Trade Index in World Economic Forum, *Global Enabling Trade Report*, 2014.

## 1 –A rail-based supply chain for grain and commodities

The mandate given to the review panel provides that grain transportation be given priority consideration. Towards that end, the panel will consider those provisions of the *Canada Transportation Act* that are relevant to the transportation of grain by rail, and which could apply more broadly to the rail-based supply chain for all commodities.

A large percentage of ships handled by Federation members are impacted by the efficiency (or lack thereof) of Canada's rail transportation system. This is true whether an export cargo is being delivered to a marine terminal by rail for loading onto a ship, or whether an import cargo is being loaded onto a rail car after being unloaded from a ship. Whatever the type of cargo or type of ship involved, and regardless of whether the movement is on the import or export side, it is essential that rail be efficient and have the necessary carrying capacity to handle the cargo - even in surge situations. When this is not the case, it creates a domino effect on the entire chain, which generates delays and costs that are ultimately borne by the users of the trade route.

Given the above, the Federation is very uncomfortable with an approach that grants grain (or commodities) statutory priority over other cargoes carried by rail. In our view, the rail-based supply chain cannot be segmented in this way, as it is essential that the transportation network work for every type of cargo that it handles. Although grain producers have an indisputably legitimate need to access world markets in a timely manner, Canadian manufacturers have an equally legitimate need to export their containerized goods or to obtain parts or machinery from overseas in a similarly timely manner, as do retailers who need to be able to restock their shelves.

Rail-based supply chains for grain and commodities are export supply chains that are often characterized by cyclical surges in transportation demand due to crop seasonality and uncertainty, and fluctuation of world market prices. Such uncertainty is a fact of life, as is uncertainty about the conditions that will prevail in a given winter and their resulting impact on rail capacity. What is certain, however, is that winter will always be the worst season for railways to absorb surges in demand for rail transportation.

In view of the foregoing, **a more useful alternative to granting grain (or commodities) priority status over other cargoes carried by rail may be to explore new logistics approaches to dealing with crop seasonality, busts and booms in world demand, and the impact of winter conditions on rail capacity.** For example, the development of staging areas closer to seaports is a potential avenue that has been evoked at the Commodity Supply Chain Table and should be explored further.

## 2 - The national transportation system's capacity and ability to adapt and effectively respond to evolving international and domestic conditions and markets

Given the constant fluctuations of international markets and domestic conditions, the national transportation system needs to be **as fluid and agile** as possible. This means that it must be structured around **intermodal hubs** that are able to redistribute traffic **to or from any of the oceans** bordering North America (**North or South of the Canada-US border**), and that it be able to **revert to international capacity** and services when domestic service providers (e.g. icebreaking, rail, tug, etc.) are unable to deliver the capacity needed to fulfill demand.

The **labour** negotiation framework should encourage and reward adaptability and responsiveness in the transportation industry.

**Rail** is a key element of Canada's transportation system and its potential upgrading. Rail efficiency and capacity (including the **ability to flex**) are key to a well-functioning system. A critical outcome of the present review will be to make recommendations on the government's role in addressing the recurring rail capacity issue.

We **do not** believe that the government should legislate on grain transportation by rail or on how to manage insufficient capacity by favouring one type of cargo over others, nor should it create new recourses against rail for shippers, invest in rail cars in order to meet surge demand by any railway, or re-regulate the railways.

We **do** believe that the government could open the door to **more rail competition** (including from U.S – based railways) when there is insufficient rail capacity (for example, by allowing for greater inter-switching distances or by facilitating the granting of running rights or joint track usage). The government could also facilitate the implementation of **logistics improvements** that would alleviate pressure on rail demand at critical times (especially winter) and/ or allow for full use of existing but dormant rail (and terminal) capacity.

It is our assessment that the current system does not use all of its capacity, even when available capacity looks tight. Means to ensure that dormant capacity is deployed when needed include:

- Incentives for operators in the supply chain to deploy their dormant capacity for the duration of the surge (which they would not otherwise deploy due to the need to optimize their financial target ratios).
- More efficient processes – for example terminals at Port Metro Vancouver should be able to increase capacity by increasing velocity (including by assembling direct trains composed of CN and CP cars).



- Mechanisms to ensure that the railways adjust their capacity deployment to ocean carriers' forecasts and that dormant capacity is used **across the corridor** when warranted by a surge in traffic.

### 3 - Adjusting the current legislative and policy framework governing transportation to support Canada's international competitiveness, trade interests and economic growth and prosperity

**Adjustment to the current policy framework:** The current section 5 of the *Canada Transportation Act* (which articulates the National Transportation Policy) is still largely useful for the future, especially given the preeminent role it ascribes to **competition** and to the transportation system's fundamental goal of serving **users**.

An updated version of section 5 could:

- Refer not only to transportation but also to logistics (which transcends modes and leads to a transportation network that is both smart and innovative);
- Underline the need for agility and responsiveness within the system;
- Make reference to the governance of public authorities which deliver services to users for a fee (user representation, fairness, need to consult users-payers, possible recourse for users-payers);
- Acknowledge that the Canadian transportation system is closely integrated with that of the US and is also connected worldwide, and that its efficiency as a national network is also linked to its connectivity with the rest of the world, as well as its ability to use foreign assets and human resources to serve Canadian needs.
- Clarify that the policy is an "all of government" policy.

**Adjustment to the current legislative framework:** Existing legislative levers that incorporate provisions safeguarding the interests of users (e.g. *User Fee Act*, *Pilotage Act*, etc.) should remain in place. In addition:

- The *Canada Transportation Act* should include a new part on gateways and corridors and their intermodal infrastructure. This would provide an appropriate legislative umbrella for the financing and governance of such infrastructure and for the management of related intermodal or multi-jurisdictional issues (more comments on this topic can be found in section 4 of this brief). The underlying idea is not to add another layer of bureaucracy, but to better coordinate and streamline the key agencies whose operations or mandates have an impact on the fluidity of the gateway.

- The *Canada Transportation Act* should include a provision allowing for mediation/adjudication by users before the Canada Transportation Agency with respect to the rates charged by granted regional monopolies of service providers (example: port tugs, container examination centers) when such rates are not already governed by a specific statute.
- The various statutes that relate to transportation should be reviewed in order to ensure their alignment with the *Canada Transportation Act* and its updated National Transportation Policy. More specifically,
  - Aspects of the *Canada Marine Act* dealing with the mandate, governance and infrastructure of Canada Port Authorities should be amended to ensure that CPAs focus on marine infrastructure rather than on land infrastructure located outside the port, users have greater representation on CPA boards, the party paying a fee to a port authority is the party which directly benefits from that fee, and the not-for-profit role of CPAs is reaffirmed.
  - Drayage regulations (which are currently under the *Canada Marine Act* for Port Metro Vancouver) should be moved under the umbrella of the *Canada Transportation Act's* new provisions on gateways and trade corridors.
  - Aspects of the *Pilotage Act* regarding the arbitration process with pilot corporations should take into account the mission of the pilotage authorities, the National Transportation Policy, and other key economic and policy considerations of the government. The Act should also clarify that operational working rules belong in the authorities' regulations (and not in the service contract with pilot corporations).
  - The *Coasting Trade Act* (and similar legislation for other modes) could be more flexible when there is insufficient domestic capacity to meet short term surges in demand, or for pilot projects.

## 4 -Developing and leveraging strategic gateways and corridors to support Canadian prosperity through linkages to global markets

For ocean shipping, gateways are a key means of efficiently channelling freight volumes to and from the global marketplace. They do so by ensuring the critical mass which allows for competitive pricing and world class levels of service, providing an attractive business case for infrastructure investors, and potentially generating a virtuous cycle of mutual attraction for gateway users (importers and exporters, land and marine carriers) and key providers (public and private infrastructure and investors).

The Asia Pacific Gateway, and the Vancouver Gateway in particular, has been a laboratory for Canada in this respect. However, the experiment has reached the limits of what can be delivered under the current framework, especially with regard to capacity, efficiency, costs and governance. Ocean shipping

believes that gateways need to operate within a statutory framework that addresses these issues, and that the *Canada Transportation Act* is the natural “home” for such a framework.

This statutory framework should provide (as a key element) a robust process for coordination and collaboration among the various departments and agencies (federal and provincial) involved in the delivery of services or the management of transport-related activities in a given gateway/ corridor, and with the main infrastructure providers and users of that gateway/corridor. Such collaboration and coordination should, among other things, ensure the gateway’s resilience and responsiveness including its ability to respond to surges in traffic and demand for capacity.

Key elements to be addressed within the statutory framework could include:

- infrastructure (identification of, and consequence of identification)
- financing
- governance
- labour
- resilience and responsiveness built in along the corridors
- transparency/ data gathering and benchmarking about capacity, fluidity and costs
- monitoring of safety and environmental issues created by traffic increases or surges

With respect to **governance**, this should also include optimizing and ensuring the consistency of both inter-departmental and inter-governmental collaboration and operations within a trade corridor or gateway perspective, clarifying the respective leadership role of each department/agency, and streamlining interaction with users. As an example, Fisheries and Oceans Canada should have the lead with respect to navigation in a given corridor (i.e. waterway management), pilotage authorities (not ports) should have exclusive authority with respect to pilotage(including within ports), etc.

As already mentioned in point 3 above (adjustments to the current legislative framework), the underlying idea is not to add another layer of bureaucracy, but to better coordinate and streamline the key agencies whose operations have an impact on the fluidity and efficiency of the gateway and trade corridor.

With respect to **labour**, labour relations within a trade corridor context should address the management of surges in demand (responsiveness) as well as resilience. We also believe that it should be possible to find new ways of managing labour relations within a trade corridor context, with a view to avoiding situations in which one group somewhere in the supply chain is renegotiating its labour contract at any given point in time, thus creating the threat of a strike which could potentially bring the entire chain to a standstill.

With respect to **benchmarking**, this should also include consideration of the cumulative impact of fees and tariffs on a corridor's competitiveness.

## 5 - Optimizing the quality and utilization of transportation infrastructure by aligning transportation policies and regulations and/or implementing financial mechanisms

From a user's perspective, it is important that the capacity and quality of infrastructure meets user needs. As duly noted in the Panel's discussion paper, marine infrastructure is almost entirely self-financed based on user charges.

**Capacity** can be optimized not only through additional capital investment in assets, but also by implementing new processes that allow for better use of existing infrastructure and assets (e.g.,<sup>24</sup> operations, building trains that contain both CN and CP rail cars directly in the terminal, more intensive use of railcars, etc.). Optimizing usage could be one of the goals that the owners/operators of infrastructure identified as being part of a given gateway would be obliged to pursue (e.g., by having to develop operational surge plans that are linked to the surge plans of their partners operating in the same corridor).

With respect to infrastructure **quality**, there is a need to ensure ongoing financing commitments with respect to the proper maintenance and renewal of aging public infrastructure. Marine-specific initiatives in this respect include:

- renewing the Canadian Coast Guard's aging fleet of icebreakers, which are essential for ensuring the navigability of key waterways during the winter season;
- maintaining and renewing infrastructure in the St. Lawrence Seaway (a multi-year asset renewal plan is in place);
- maintaining and eventually renewing the infrastructure of un-divested federal public ports.

Quality infrastructure should also encompass elements that allow for "smart transportation" (such as collection and retransmission of real time information, e.g. meteorology, hydrography, traffic, etc...), as well as for "green" transportation (for example, providing adequate waste reception facilities along the various marine trade routes and ensuring that the availability of such facilities is part of the regulatory screening process for new marine terminals).

## **6 –Contribution of technological innovation to improvements in transportation**

Technological innovation can improve:

- Marine safety (smart buoys, electronic navigation, real time information, etc.)
- Marine security (domain awareness)
- Compliance monitoring (on-board emissions testing, ballast water testing, voyage planning systems that integrate zones with environmental restrictions, real time data on location of whales, etc.)
- Border management processes and fluidity (scanning portals, remote clearance, tracking, information sharing)
- Logistics (real time information and positioning across the supply chain, optimization of asset and human resource use and repositioning )
- Big data analytics, supply chain performance measurement and improvement (from a transportation perspective and from an environmental footprint perspective), gathering data on best practices / benchmarking.

Of technological innovations noted above, some are already in place (at least partially), while others should be developed in the future (especially these that facilitate compliance monitoring, logistics, border management processes, and supply chain performance measurement and improvement).

The implementation of our recommendations regarding coordination and collaboration work that should take place at the gateway level should help accelerate the implementation of such technologies across the corridor.

## **7 - Adjusting the safety and environmental regimes governing transportation in order to maintain current standards for safe and sustainable transportation in a context of increasing system volumes/ demands**

The most important means of ensuring safe and sustainable marine transportation in Canada is through a continued commitment to both integrating international maritime conventions into domestic legislation, and to consistently enforcing the requirements arising therefrom. Towards that end, Canada should continue to contribute to the work of the International Maritime Organization (IMO), and to implement IMO standards in a timely way. Canada should also continue to commit to Port State Control under the two relevant MOUs to which it is a party.

The marine mode is highly regulated under international conventions, and it is generally ahead of the other modes in terms of enforcement, preparedness and response, and liability regimes. We therefore recommend that further improvements to the safety and environmental regimes governing the marine mode be developed under the auspices of the IMO, and that improvements to the regimes governing other modes be developed under a separate agenda (preferably on a continental basis).

On the marine and intermodal side, Canada should continue to push for Regulatory Cooperation Council work with the US and output in terms of harmonizing safety and environmental regimes (while still being compatible with international conventions, even when the US is not party to such conventions).

Moreover, as part of the gateway and trade corridor initiatives, the government should ensure that traffic increases are properly managed from a safety and environmental perspective on an on-going basis.

## **8 –Addressing rapid changes (and associated challenges) in the North with respect to ensuring the continued safety, security and sustainability of the northern transportation system, and identifying the federal government’s role in supporting the Northern transportation system**

A general plan and framework for supporting Canada’s northern transportation system should be developed sooner rather than later, and should cover not only the Arctic but also remote areas south of the 60<sup>th</sup> parallel. Such a plan will have to incorporate a variety of elements incrementally within specific shipping corridors, based on how and where the most significant traffic developments occur.

In terms of supporting and facilitating international marine transportation to northern and remote destinations in Canada, we believe that the following are key areas that will require federal government intervention:

- Ensuring marine safety (nautical maps, communications, weather and ice services, search and rescue capabilities, pilotage or ice advisors, icebreaking escort, port state control). As is the case for the rest of Canada, the regulatory framework for this region will have to reflect international conventions and standards;
- Ensuring efficient border management (reporting procedures, border inspections not only with CBSA but also CFIA and Health Canada). Border management in northern and remote areas should be tailored in a way that minimizes costs and delays for the international carrier while optimizing the government’s human and financial resources;
- Ensuring adequate spill readiness and an appropriate level of response capability;

- Minimizing the impact of shipping routes on the marine environment and on hunting/fishing zones and activities of northern communities;
- Working with project developers to ensure that the related shipping activities are properly planned for (in terms of marine safety, border management, spill readiness, garbage collection and management, social acceptability, etc.);
- Identifying ways and means of financing and manning the above (in cases of shipping developments linked to resource extraction, the promoters should shoulder at least part of the costs on a cost-recovery basis);
- Collecting relevant data and monitoring the evolution of traffic and its impacts;
- Working with the local governments and neighbouring Arctic countries to optimize the delivery of the above.

## 9 –Improving current governance and service delivery models for key federal operations

Among and in addition to the comments or recommendations already mentioned above, we submit that:

- The National Transportation Policy should be clearly characterized as an “all of government” policy.
- Key federal operations and agencies must be more responsive and agile. In particular, the relevant agencies/departments should be able to make use of available international capacity and services when unable to meet demand (example: icebreakers).
- Consistent interdepartmental collaboration with respect to regulatory compliance and enforcement is needed, both nationally and within a corridor/gateway framework, with a view to fulfilling the departments’ respective mandates in a way that facilitates trade<sup>5</sup>. Better identification of respective leadership roles is also needed.
- Constant bilateral collaboration in the Seaway-Great Lakes trade corridor should be developed between all relevant US and Canadian departments and agencies.

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<sup>5</sup> Trade facilitation issues are brought to the Federation’s attention by its members on an ongoing basis. The Trade Facilitation Agreement adopted in Bali in December 2013 under the auspices of the World Trade Organization provides an additional reason why Canada should ensure consistent interdepartmental collaboration in a way that facilitates trade. According to the World Economic Forum, Canada could gain \$22 billion (US) in GDP and 5% in exports gains by 2020 by improving trade facilitation (World Economic Forum, *The Global Enabling Trade Report*, 2014, p. 2 (“Box 1: The Bali Package and Potential Gains from Trade Facilitation”).

- **The cumulative impact of fees and tariffs in a corridor’s competitiveness should be assessed on a continuing basis.**
- The *Canada Marine Act* and the *Pilotage Act* should be amended (see section 3 of this submission). Operational working rules should be developed by Pilotage authorities (not by pilot corporations) and should be part of the Pilotage Authorities’ regulations.
- The *Canada Transportation Act* should be amended to provide a new (statutory) status to gateways and trade corridors, and should include provisions on governance (see section 4 above).

In addition, and as far as marine safety and environment protection are concerned, the governance and service delivery model should ensure:

- Sustainable funding for compliance verification and enforcement;
- Recruitment and training of new inspectors/persons with appropriate technical knowledge for compliance verification and enforcement.

Apart from the comments and recommendations provided above, we take this opportunity to note that the St. Lawrence Seaway has the most user-oriented governance structure of the four such structures that have operated in parallel since the enactment of the *Canada Marine Act* (i.e.: Canada Port Authorities, public ports, Pilotage Authorities and the Seaway). The by-laws of the St. Lawrence Seaway Management Corporation (SLSMC) provide that five of the nine Directors who sit on the Board of Directors are appointed by users. More specifically, the industry class is represented by five categories of stakeholders (domestic carriers, international carriers, the grain industry, the steel and iron ore industry, and others) each of whom appoints one Director to the Board. Of the remaining Directors, one is appointed by the federal Minister of Transport, one by her Majesty – Ontario or the Ontario Minister of Transport, and one by her Majesty-Quebec or the Quebec Minister of Transport. The remaining seat belongs to the SLSMC President.

The foregoing structure has resulted in the establishment of stronger links between the Seaway and its users, which in turn has played an important role in successfully resolving a variety of operational challenges that have arisen over the years

In contrast to the other types of governance structures established under the *Canada Marine Act*, the Seaway’s governance structure has not raised concern since the Act came into force. This leads us to believe that the other types of governance structures which are currently in place to provide for the delivery of infrastructure and services to our industry should be modified so as to follow the Seaway model and allow for greater user representation on their Boards.

Should the legislator eventually move ahead with granting status to the gateways and trade corridors under the *Canada Transportation Act*, the governance model will have to ensure an appropriate level of user representation in order to obtain regular feedback on the gateway’s performance and opportunities for improvement.



## CONCLUSION

The CTA review is an important and timely initiative which raises many complex issues. The intent of this submission has been to provide comments, generic at this stage, which reflect the perspective of the ocean shipping segment of the Canadian transportation system.

It is our understanding that the Panel's work will proceed in stages, and we look forward to continuing our participation in this process. In the meantime, we will share our submission with other groups with a view to identifying common ground.

We trust that you will give our submission due consideration and would be happy to provide any additional input or information you may require.

Respectfully submitted,

A handwritten signature in black ink that reads "M.H. Broad". The signature is written in a cursive style with a long, sweeping underline.

Michael H. Broad  
President

## LIST OF RECOMMENDATIONS

### **A rail-based supply chain for grain and commodities**

1. The government should not grant grain (or commodities) priority status over other cargoes carried by rail.
2. New logistics approaches should be explored in order to deal with crop seasonality issues, boom and bust in world demand, and the impact of winter conditions on rail capacity.

### **The national transportation system's capacity and ability to adapt and effectively respond to evolving international and domestic conditions and markets**

3. The system should be able to revert to international capacity and services when domestic service providers are unable to deliver the capacity needed to fulfil demand.
4. The labour negotiation framework should encourage and reward adaptability and responsiveness in the transportation industry.
5. Government should open the door to more rail competition.
6. Government should facilitate the implementation of logistics improvements to alleviate pressure on rail demand at critical times and/or to allow for full use of dormant rail capacity.
7. Mechanisms should be in place to ensure that dormant capacity is used across the corridor when warranted by a surge in traffic.

### **Adjusting the current legislative and policy framework governing transportation to support Canada's international competitiveness, trade interests and economic growth and prosperity**

8. The National Transportation Policy should be updated.
9. The *Canada Transportation Act* should include a new part on gateways and corridors and their intermodal infrastructure.
10. The *Canada Transportation Act* should provide a remedy for users with respect to granted regional monopolies of service providers when such rates are not already governed by a specific statute.
11. The various statutes that relate to transportation should be reviewed in order to ensure their alignment with the *Canada Transportation Act* and its updated National Transportation Policy.

**Developing and leveraging strategic gateways and corridors to support Canadian prosperity through linkages to global markets**

12. Strategic gateways and corridors should be developed and leveraged by being granted statutory status in the *Canada Transportation Act*. This would help operationalize gateways and trade corridors by encompassing infrastructure, financing, governance, labour, resilience and responsiveness, transparency, data gathering and benchmarking (on capacity, fluidity and costs), and monitoring of the safety and environmental issues raised by traffic.

**Optimizing the quality and utilization of transportation infrastructure by aligning transportation policies and regulations and/or implementing financial mechanisms**

13. Gateway infrastructure should have operational surge plans that would be connected with the surge plans of their partners operating in the corridor.
14. There should be an ongoing financing commitment with respect to the proper maintenance and renewal of aging public infrastructure.
15. Canada must ensure adequate waste reception facilities along its various marine trade routes.

**Contribution of technological innovation to improvements in transportation**

16. The government and players in the transportation system should increase their use of technology to improve transportation safety and security, compliance monitoring, border management processes and fluidity, logistics, and measurement of supply chain performance.

**Adjusting the safety and environmental regimes governing transportation in order to maintain current standards for safe and sustainable transportation in a context of increasing system volumes/ demands**

17. Canada should continue to contribute to the work of the International Maritime Organization and to implement IMO standards, with consistent enforcement.
18. Canada should push to harmonize its safety and environmental regimes related to transportation activities with those of the US.
19. The government should ensure on an ongoing basis that traffic increases in each of the trade corridors are properly managed from a safety and environmental perspective.

**Addressing rapid changes (and associated challenges) in the North with respect to ensuring the continued safety, security and sustainability of the northern transportation system, and identifying the federal government’s role in supporting the Northern transportation system**

20. Government should develop a general plan and framework to cover safety, border management, environmental management of new traffic, financing and manning of government action, data collection and monitoring, and regional/international collaboration, and fully integrate the transportation dimension of resource extraction projects at the regulatory screening stage.
21. The elements of this plan would be implemented incrementally as traffic develops.

**Improving current governance and service delivery models for key federal operations**

22. It should be made clear that the National Transportation Policy is an “all of government” policy, and that the goals of agility, fluidity, responsiveness and collaboration with respect to improving the efficiency of the supply chain apply to government operations as well.
23. Government should assess the cumulative impact of fees and tariffs on each corridor on a continuing basis.
24. Government should ensure sustainable funding for compliance verification and enforcement, (as well as recruitment and training of new inspectors with appropriate technical knowledge).
25. The Seaway’s governance structure (which provides for strong user representation) is a model that should be followed for other government agencies.

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