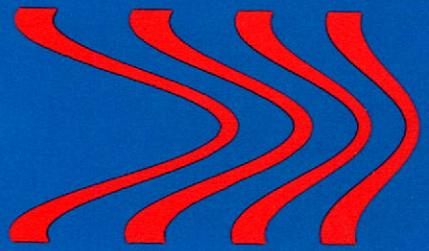


Atlantic Provinces Transportation Commission



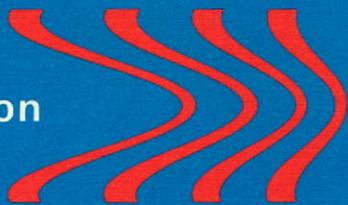
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Transportation Review

and

Annual Report

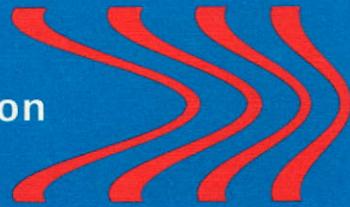
... Over 60 Years of Service



**Transportation Review
and
Annual Report
for the
Year Ended
March 31, 1993**

The Atlantic Provinces Transportation Commission has offices at Suite 330, 1133 St. George Boulevard, Moncton, New Brunswick. The services of the Commission are available to individuals, corporations and trade groups doing business in the Provinces of Nova Scotia, New Brunswick, Prince Edward Island, Newfoundland and Labrador.

Atlantic Provinces Transportation Commission



P. O. Box 577
Moncton
New Brunswick
E1C 8L9

Tel. (506) 857-2820
Fax. (506) 857-2835

*The Honourable Sheldon Lee
Minister of Transportation
Province of New Brunswick
Fredericton, NB*

*The Honourable George Archibald
Minister of Transportation
Province of Nova Scotia
Halifax, NS*

*The Honourable Aubrey Gover
Minister of Works, Services & Transportation
Province of Newfoundland and Labrador
St. John's, NF*

*The Honourable Tom Dunphy
Minister of Transportation & Public Works
Province of Prince Edward Island
Charlottetown, PE*

Honourable Ministers:

On behalf of the Directors, I am pleased to present the Transportation Review and Annual Report of the Atlantic Provinces Transportation Commission for the period April 1, 1992, to March 31, 1993. This report attempts to review transportation developments in Canada, particularly as they relate to the Atlantic Provinces. In addition, it covers some of the activities of the Commission during the year 1992-93.

Many industries throughout the Atlantic Region have benefited again this year from the Commission's activities. In addition, many issues of major importance to the region were addressed this past year by the Commission. This service to the business community and to your governments is possible only through the financial support provided by the Governments of Nova Scotia, New Brunswick, Prince Edward Island, and Newfoundland and Labrador.

Mindful of the investment of public funds in the Commission, I am pleased to report that, in my opinion, the operations of the Commission are conducted in an efficient and business-like manner.

All of which is respectfully submitted.

*David A. Scales
Chairman*

*Moncton, NB
March 31, 1993*

LETTER FROM THE GENERAL MANAGER

This past year has been an extremely demanding period in relation to the role of the APTC. Transportation issues of major importance to Atlantic Canada were numerous.

The report that follows briefly describes transportation events and issues of importance to this region, along with action taken by the APTC in the interests of ensuring that regional shippers have adequate and effective transportation services both now and in the future.

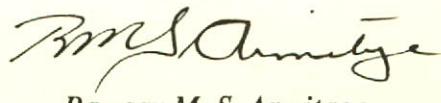
Some current issues of critical importance to the region are:

- » *Rail abandonments and the future of rail services in the Maritime Provinces (the APTC has been advocating the concept of an essential rail network).*
- » *Reports of the Royal Commission on National Passenger Transportation and the NTA Review Commission (many of the recommendations are based on the concept of user pay and appear to ignore geographical disadvantages and federal constitutional obligations).*
- » *Port competitiveness and the ability of the Ports of Halifax and Saint John to continue to attract liner shipping services.*

History and common sense tell us that, where there is a common interest and need, a coordinated and unified approach has the best chance of success. Transportation is no exception to this logic as revealed from the example of transportation regulatory reforms implemented in 1987-1988. At that time, through the leadership and coordination provided by the APTC, a united response from the region brought about significant modifications and safeguards in the legislation.

A very recent example of unity of purpose was reflected in the response from the region to the federal initiative to impose temporary cuts in the Atlantic Region Freight Assistance Act program. On December 2, 1992, as part of a comprehensive package of economic and fiscal reforms, the Minister of Finance announced a 10% across-the-board reduction in this program. Within two months of the announcement, a proposal for an alternative method of adjusting the program to minimize the impact on manufacturers and producers and, at the same time, achieve the required savings, was in the hands of the federal government. In that short time, the submission of the APTC had the united support of all trade organizations representing manufacturers and producers, as well as the four Atlantic Provinces governments. The approach met with a large measure of success as explained in more detail on page 34 of this report.

There are many examples of the importance of a coordinated and united approach to transportation matters and the APTC will continue to serve the interests of regional shippers in this way.



Ramsay M. S. Armitage
General Manager

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APTC DIRECTORS AT MARCH 31, 1993

NOVA SCOTIA

Government

D. J. MacDougall

I. Parker

G. Comeau

Halifax, NS
Truro, NS
Church Point, NS

Atlantic Provinces Chamber of Commerce

E. R. Dalton

J. H. MacDonnell

D. G. McNeil

Port Williams, NS
Port Hawkesbury, NS
Liverpool, NS

NEW BRUNSWICK

Government

F. H. Hatfield

D. L. Johnson

(One Vacancy)

Hartland, NB
Fredericton, NB

Atlantic Provinces Chamber of Commerce

K. R. Creelman

T. Millar

D. G. Roberts

Fredericton, NB
Saint John, NB
Sussex, NB

PRINCE EDWARD ISLAND

Government

M. Bailey

D. A. Scales

Charlottetown, PE
Charlottetown, PE

Atlantic Provinces Chamber of Commerce

G. Ching

G. Key

Souris, PE
Summerside, PE

NEWFOUNDLAND AND LABRADOR

Government

W. T. Beckett

E. Hearn

St. John's, NF
Labrador City, NF

Atlantic Provinces Chamber of Commerce

W. E. Doyle

(One Vacancy)

St. John's, NF

EX OFFICIO

P. J. Daigle, President, Atlantic Provinces Chamber of Commerce

Moncton, NB

STAFF

Ramsay M. S. Armitage, General Manager

Peter A. Vuillemot, Assistant General Manager

Jack A. MacQuarrie, Transportation & Distribution Officer

Dale V. Ronalds, Senior Transportation Analyst

Daniel E. Long, Research Analyst

Debbie E. Matchett, Transportation Analyst

Mona E. Savoie, Transportation Analyst

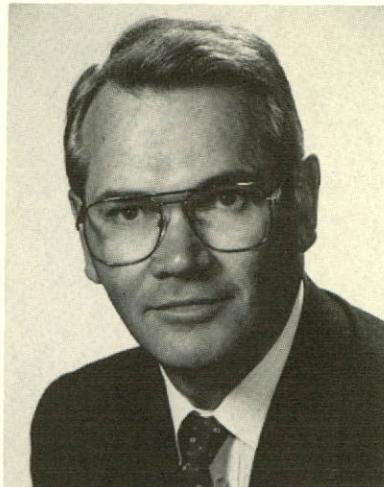
Charles D. Mollins, Information Systems Officer

Sheldon B. Steeves, Administration & Accounting Officer

Cathy E. Peters, Staff Secretary

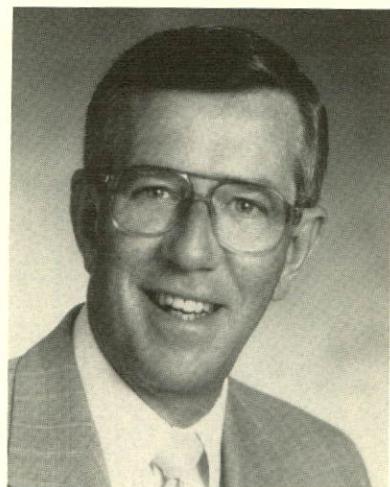
Laurel B. Cliff, Assistant Staff Secretary

1992 - 1993 EXECUTIVE COMMITTEE



DAVID A. SCALES

Chairman, APTC
and President
Island Fertilizers Ltd.
Charlottetown, PE



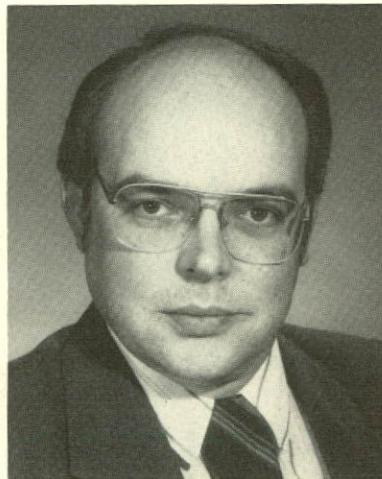
IRA PARKER

Vice-Chairman, APTC
and Vice-President
Corporate Development
Crossley Carpet Mills Ltd.
Truro, NS



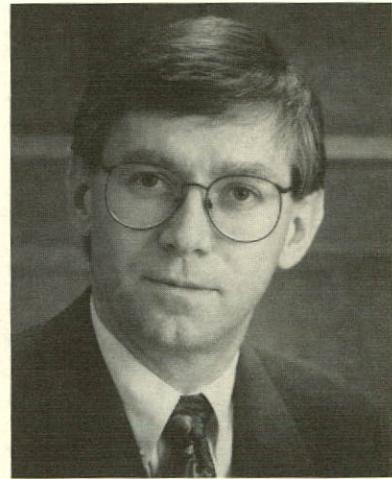
MIKE BAILEY

Director, Policy & Planning
Province of Prince Edward Island
Charlottetown, PE



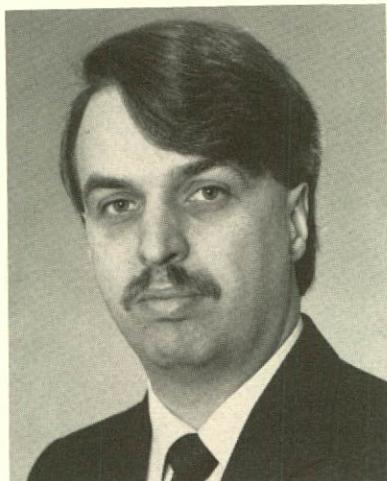
W. TOM BECKETT

Director, Policy & Planning
Province of Newfoundland
and Labrador
St. John's, NF



WILLIAM E. DOYLE

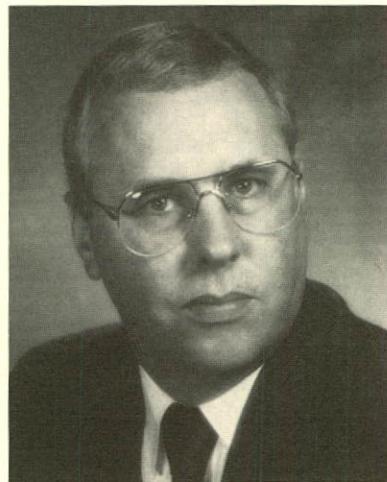
President
T. & M. Winter Limited
St. John's, NF

1992 - 1993 EXECUTIVE COMMITTEE

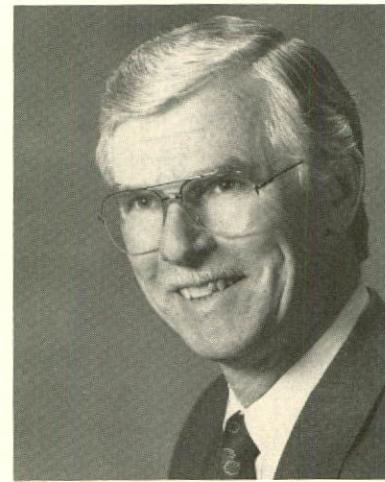
DOUGLAS L. JOHNSON
Director, Transportation &
Communications Policy Branch
Province of New Brunswick
Fredericton, NB



DON J. MacDOUGALL
Director, Transportation Policy
Province of Nova Scotia
Halifax, NS



TOM MILLAR
President
PCL & Eastern Packaging Ltd.
Saint John, NB



RAMSAY M. S. ARMITAGE
General Manager
Atlantic Provinces
Transportation Commission
Moncton, NB

BOARD OF DIRECTORS

(As at October 28, 1992)



Left to Right: Seated - D. Kenny, K. A. MacKenzie (Retired), D. A. Scales (Chairman), I. Parker (Vice-Chairman), F. H. Hatfield, G. Key;
Standing - W. T. Beckett, M. Bailey, D. J. MacDougall, J. H. MacDonnell, D. G. Roberts, G. Comeau, R. Shepherd, D. L. Johnson,
D. G. McNeil, K. R. Creelman; Missing From Photo: G. Ching, P. J. Daigle, E. R. Dalton, W. E. Doyle, E. Hearn, T. Millar

COMMISSION STAFF

Left to Right: Seated - Cathy Peters, Jack MacQuarrie, Ramsay Armitage, Peter Vuillemot, Laurel Cliff;
Standing - Debbie Matchett, Dale Ronalds, Charles Mollins, Sheldon Steeves, Dan Long, Mona Savoie

OBJECT AND FUNCTIONS OF THE ATLANTIC PROVINCES TRANSPORTATION COMMISSION

The object of the Atlantic Provinces Transportation Commission is to obtain for persons and industries in the Atlantic Provinces the best transportation services possible at a cost which will permit the Atlantic Provinces to compete in the markets of Canada and throughout the world.

To this end, included in the functions of the Atlantic Provinces Transportation Commission, as approved by the Directors of the Commission, are:

- (1) *To maintain suitable files of carriers' tariffs and other publications to provide shippers, receivers and non-government agencies with data and expertise on rates and charges by all modes of transport;*
- (2) *To circulate information on transportation developments, including rates, service and policy changes; a periodical newsletter, "Tips & Topics", being one of the vehicles used for this purpose;*
- (3) *To negotiate directly with, or to make representations to, carriers or their agencies on behalf of all transportation users to obtain the best possible rates and services;*
- (4) *To assist shippers, receivers and non-government agencies or groups with advice on transportation or distribution matters, including the preparation and presentation of briefs and submissions;*
- (5) *To assist carriers when such assistance is consistent with the Commission's overall objective;*
- (6) *To provide technical advice to the governments and government agencies of the Atlantic Provinces, including detailed studies on specific industries and continuing programs tailored to the needs of the particular province or provinces;*
- (7) *To supply information to the governments of the Atlantic Provinces, individually or collectively, pertinent to the assessment or formulation of transportation policy;*
- (8) *To assist the governments of the Atlantic Provinces, individually or collectively, in the preparation and presentation of submissions and representations to the federal government or its agencies;*
- (9) *To continually review the transportation system serving the region and, where required, make recommendations to the provincial governments for improvements in the system whether it be public or private;*
- (10) *To make representations to the provincial governments, subject to the approval of the Directors of the Commission; and,*
- (11) *To make such public statements or submissions in regard to federal or provincial policy as shall be approved by its Directors, the provincial governments, or both.*

The services of the Commission are available by contacting the Commission's office at 1133 St. George Boulevard (Suite 330), Moncton, NB. Inquiries should be directed to the General Manager, Atlantic Provinces Transportation Commission, P. O. Box 577, Moncton, NB, E1C 8L9, Telephone (506) 857-2820, Fax (506) 857-2835.

GENERAL TRANSPORTATION REVIEW

Introduction

Carriers continued to experience financial difficulties due to the lagging recessionary climate during the year in review. In spite of this, new services were introduced in most modes of transport. Construction of a domestic intermodal terminal in Halifax was announced by CN during the year. Construction of a new ferry for the Deer Island service was completed and construction of a new ferry for the Northumberland ferry service was ongoing.

Freight rates, in general, remained stable with many shippers experiencing no rate increases during 1992. A major restructuring of some marine tariffs has resulted in significant increases in many of the rates to move goods from eastern Canada to Europe.

Regulatory changes to provincial motor carrier acts have resulted in further ease of entry provisions for motor carriers wishing to serve the region's shippers. Other regulatory changes include dangerous goods handling and the marine coasting trade.

A number of concerns remained in the forefront during 1992-93, including highway upgrading, rail line abandonments and carrier financial stability.

Rail

Total rail carload tonnage loaded in Canada decreased by 6.1% in 1992 as shown in *Table 1*. Eastern Canadian loadings declined by 5.3%, while intermodal container and trailer traffic

Table 1

RAILWAY CARLOADINGS (Tonnes '000)			
	1992	1991	% Change
Carload Traffic Loaded - Eastern Division	97,359.1	102,858.6*	-5.3
Carload Traffic Loaded - Western Division	126,950.4	135,955.6*	-6.6
Carload Traffic Loaded	224,309.5	238,814.2*	-5.3
Non-Carload Traffic Loaded	28.7	37.0	-22.4
Containers on Flat Car Loaded	7,605.1	7,658.3	-0.7
Trailers on Flat Car Loaded	3,808.5	3,978.0*	-4.3

* Revised figures

Source: Statistics Canada Railway Carloadings December, 1992, Catalogue 52-001

showed decreases of 0.7% and 4.3% respectively. This marks the third consecutive year of declining traffic in eastern Canada.

Financial results of Canadian National Railway and Canadian Pacific Limited for transportation related services, as taken from the companies' 1992 annual reports, are shown in *Table 2*.

Table 2

CANADIAN NATIONAL RAILWAYS (In Millions \$)		
	1992	1991
System Net Profit	- 1,005.2	- 14.3
Income From Divisions Before Taxes:		
Canadian Rail Operations	- 893.7	- 21.7*
United States Rail Operations	- 161.1	- 52.9*

* Revised from 1991-92 report to reflect a change in CN's method of accounting.

CANADIAN PACIFIC LIMITED (In Millions \$)		
	1992	1991
System Profit	- 478.3	- 913.8
Operating Income - Transportation	- 424.9	- 14.8
Operating Income From Divisions:		
CP Rail	- 343.3	24.5
CP Ships	18.3	- 6.9
CP Trucks	- 99.9	- 32.4

Source: Canadian National Railway Annual Report
Canadian Pacific Limited Annual Report

A major portion of the loss recorded by CN for 1992 consists of work force reduction costs in Canadian and United States rail operations of \$942.4 million.

Transportation subsidy payments received to December 31, 1992, by Canadian Railways under the terms of the National Transportation Act, 1987, are illustrated in *Table 3* below.

Table 3

TRANSPORTATION SUBSIDY PAYMENTS ADMINISTERED BY THE NATIONAL TRANSPORTATION AGENCY (Payments to December 31, 1992)		
	1992	1991
	(In Millions \$)	
Western Grain Transportation Act	783.8	778.9
Branch Lines Operated by Railways	8.8	8.4
Non-VIA Passenger Train Service	8.1	5.7
Total	800.7	793.0

Note: Subsidy payments under the MFRA/ARFAA are illustrated on page 35.

Source: National Transportation Agency
Annual Report 1991 and 1992

As specified in *Table 3*, non-VIA passenger train service subsidy payments under the National Transportation Agency amounted to \$8.1 million in 1992. In addition, VIA passenger service subsidy payments made under the authority of the Minister of Transport were estimated at \$389.6 million. This compares to \$392.8 million for 1991.

CN Rail reached a tentative agreement with a union to allow the railway to move towards the use of two-person crews, instead of the existing three, or in some cases four-person crews, on freight trains operating on the Montreal-Halifax line. In the long term, this agreement will result in significant savings to the railway which has been facing strong competition from the truck mode in the Halifax-Montreal corridor. A more competitive rail link could also help the Port of Halifax, which must compete with United States ports and rail links.

An intermodal container service linking the United States, Canada and Mexico began in early October to meet the expected rapid growth of transborder trade within North America. The service is offered by APL Land Transport Services in partnership with CN North America. The new service from Mexico utilizes CN's container service from Chicago to Toronto, Montreal and the Maritime Provinces, coupled with APL's established stacktrain service from Mexico City and Laredo, TX, to Chicago. According to CN officials, schedules and transit times are competitive with over-the-road service. CN has also reached rail agreements with Burlington Northern in the United States and Ferriarilles Nacionales de Mexico to provide a "...seamless tri-national network that can deliver better freight service to customers in Canada, the United States and Mexico."

The Council of Maritime Premiers released a discussion paper, entitled *Opportunities for Cooperation in the Development of Transportation Infrastructure*, in the fall of 1992. The paper examines opportunities for joint action among the Maritime provinces and with the federal government. Specific recommendations applicable to the rail mode include:

- *continue work to establish a national rail network;*
- *seek federal action to halt further rail abandonments until a national rail network is established;*

- *identify measures to minimize diversions of Canadian export and import traffic to U.S. ports and railways; and,*
- *examine in cooperation with the Government of Canada and the private sector, the potential of intermodal transfer facilities and services to encourage regional industrial development.*

CN North America announced in early March, 1993, that construction of its new Halifax Intermodal Terminal will begin this spring. Domestic traffic arriving from central Canada is currently terminated at the Moncton Intermodal Terminal and handled over the highway to Halifax and other Nova Scotia locations. The new terminal will allow CN to provide the intermodal "Laser" service directly into Halifax. The Halifax terminal is strategically important for improving the utilization of the Moncton-Halifax rail line, reducing the unit-cost structure for intermodal operations and providing synergy between domestic and import-export (impex) container traffic. The new Halifax "Laser" train can accommodate impex containers, thus offering additional train service options that can assist Halifax to remain a competitive North American port-of-call. The Moncton-Halifax rail line is currently operating at well below capacity. Train service for the domestic "Laser" will provide second morning delivery between Halifax/Montreal/Toronto and third morning delivery between Halifax/Detroit/Chicago.

In March, 1993, Canadian National Railways announced plans for major layoffs. Over the next three years, the CN workforce is expected to drop by one third - eliminating 11,000 of its 32,000 jobs. For the Atlantic Region, a total of 500 positions will be eliminated. CN is also studying ways to further rationalize its network in eastern Canada.

Highway

The April, 1992, New Brunswick provincial budget provided for the elimination of the Arterial Highways Trust Fund and the transfer of \$33 million remaining in the account to ordinary account revenue effective April 1, 1992. In spite of this change, the provincial government increased funds allocated for Trans Canada Highway construction to \$73 million, up \$13 million from the previous year. New Brunswick established the Trust Fund on January 1, 1989, with an

increase in provincial tax of 2.8¢/litre on diesel fuel and 1.6¢/litre on gasoline. The additional tax revenue was directed to a fund dedicated to highway improvement in New Brunswick. The fund provided \$41 million for highway construction during the previous year. According to the provincial budget speech, the most recent federal budget indicated that the federal government appears committed to Trans Canada and arterial highway construction, thus eliminating the need for a separate Trust Fund.

The Quebec government applied a 4% tax to services, including transportation, beginning July 1, 1992. The tax will apply to all collect shipments into the province with a Quebec-based consignee. The tax is similar to the GST; however, a separate registration number is required. While companies will be eligible for tax rebates similar to the GST for many goods and services they buy, the tax is expected to negatively impact business through increased costs associated with administering the tax.

An Act to amend the Nova Scotia Motor Carrier Act was passed into law and became effective on January 1, 1993. The Act introduces the fitness test criteria for the approval of intra-provincial motor carrier licence applications. Licenses will be granted to all applicants who comply with safety regulations such as the transportation of dangerous goods, mechanical fitness of vehicles and adequate insurance coverage. Under this "fitness" test, a license will be granted if the applicant proves he is "fit, willing and able" to provide the service (see page 39, *Motor Carrier Licensing Developments*).

The Maritime Premiers and their Ministers of Transportation announced in the fall of 1992 moves to reduce the burden of regulation and make transportation industries more efficient. The agreement includes reforms to:

- *deregulate the trucking industry intra-provincially;*
- *adopt national standards of safety inspections of all commercial vehicles and for the reciprocal recognition of out-of-province inspections meeting those standards;*
- *ensure the uniform administration of the National Safety Code for trucks and buses;*
- *maintain the uniformity of truck weight regulations; and,*

- *cooperate to enforce all commercial vehicle laws and policies in areas near the inter-provincial borders.*

These reforms are expected to be effective not later than September 1, 1993.

Major increases in truck tolls have been proposed for the Halifax-Dartmouth bridges. The two stage increases proposed by the Halifax-Dartmouth Bridge Commission would, in some cases, see truck fares triple by January 1, 1994. The Atlantic Provinces Trucking Association estimates these increases, if implemented, will cost the economy of the Atlantic Region an additional \$3.5 to \$4 million. Trucks, which only comprise 2.7% of the traffic, will be expected to pay 15% of the cost of financing the debt on the bridges. Hearings on this application were held before the Nova Scotia Board of Commissioners in late 1992 at which time the increases were vigorously opposed by the APTA. At the time of this writing, a decision of the Board has not been rendered.

By early 1993, all motor carrier boards in the Atlantic Provinces had introduced amendments to their extra-provincial motor carrier licenses removing commodity and geographic restrictions. These amendments are in response to the federal implementation of the fitness only test criteria for the approval of extra-provincial motor carrier license applications.

On June 23, 1992, a new Federal Transportation of Dangerous Goods Act was proclaimed and came into effect. The new Act replaces the previous Act which was passed in 1980. The scope of the act is broadened and the offenses and penalty sections are strengthened. Inspectors have been given greater powers to detain the movement of dangerous goods and inspect aspects of the dangerous goods outside the actual transportation of the goods (such as administrative procedures relating to documentation). Placards or labels displayed when dangerous goods are not present is now subject to penalty.

A number of motor carriers in the Atlantic Region implemented a dangerous goods surcharge effective January 1, 1993. The per shipment charge is based on the category of dangerous goods (non-placardable or placardable) and the shipment weight.

In December, 1992, the Atlantic Provinces Trucking Association (APTA) issued a press release concerning rates to Newfoundland

in light of the reduced level of fish backhaul movements. Following the announcement of a moratorium on cod fishing in the northern Newfoundland region earlier in the year, the APTA surveyed its members to determine the impact the closing would have on rates and service to Newfoundland. The survey indicated that rates on inbound traffic to Newfoundland were expected to increase by 15% to 20% as a result of the loss of the northern cod as a backhaul commodity.

Funding for highway upgrading in the Atlantic Provinces continued as an important issue. This subject is discussed under the heading *Atlantic Expressway* on page 37.

Air

Despite the economic crisis facing the airline industry, some positive initiatives were introduced in the Atlantic Region. Regional carriers held their own, with Air Nova recording a profit for the third year in a row. New services were implemented and, although limited, ongoing improvements were experienced at existing airports and facilities. Increases in passenger volumes were experienced at most regional airports and a number of discounted fares/packages were offered by the airlines during the year throughout Atlantic Canada.

Improvements and changes in flight frequencies and route patterns in a number of areas were experienced during the year. The following are some of the major changes:

- *Northwest Airlink, a subsidiary of Northwest Airlines, began daily non-stop flights to Boston, MA, from Fredericton and Saint John, on April 16, 1992, and subsequently commenced flights from Moncton to Boston on May 14, 1992. Indirect flights from Charlottetown, PE, through Moncton to Boston also began May 14, 1992.*
- *In late 1992, Summerside, PE, saw the return of scheduled airline service. Prince Edward Air Ltd. (PEAL) introduced a new scheduled air service of two daily flights between Halifax and Summerside and one daily flight between Moncton and Summerside. The service was expanded in January 1993, with the addition of a morning flight from Moncton to Summerside and a same day afternoon departure from Summerside to Moncton.*

- *In mid-December, 1992, Provincial Airlines Ltd. introduced a non-stop morning passenger and air cargo service between St. John's and Stephenville. The daily Monday through Friday service uses an 18-passenger turboprop Metroliner.*
- *An announcement was made in early 1993 that KLM Royal Dutch Airlines would be adding a Sunday flight to Amsterdam effective April 4, 1993, bringing KLM services to three flights per week between Halifax and Amsterdam, complementing the existing Wednesday and Friday flights. The B767 aircraft, capable of carrying 9,000 kg of cargo capacity per flight, will be used on this route.*
- *In March, 1993, Triton Airlines Inc., a 100% Newfoundland owned company based in Triton, NF, announced the beginning of scheduled service effective April 8, 1993. The airline will provide two St. John's-Halifax-Toronto flights per day, except Saturdays, utilizing a Boeing 737-300 aircraft.*

Renovations at the Moncton airport of approximately \$2 million were completed in the summer of 1992, including repaving the second runway and improvements in drainage and lighting.

The Moncton area Air Traffic Control Centre was the first in Canada to receive a \$12 million radar data-processing system. The new system which became officially operational in late January, 1993, will provide more efficient, reliable and cost-effective air navigation in Atlantic Canada.

In early March, 1993, the Province of Nova Scotia announced a provincial government loan to Air Nova in the amount of \$2.5 million to help the regional airline consolidate its operations at the Halifax International Airport. The airline proposal, which still has to be approved by its Board of Directors, calls for a new office complex, training facilities and expansion of its aircraft maintenance area at the airport.

A study completed by the UMA Group, in association with Canmac Economics, was recently released assessing the economic impact of the Halifax International Airport. The report noted that, on a typical day, the airport's total economic impact on the Halifax metro area is almost \$1.4 million and over \$2.3 million for Nova Scotia; each job at the airport contributes,

on average, over \$90,000 annually to the Nova Scotia economy; and each air carrier movement, as an indicator of airport impacts, contributes almost \$7,200 to the Halifax metro area economy. The airport contributes 6,314 direct full time equivalent jobs to the area.

The new \$2.7 million Saint John control tower which was started in 1991 was ongoing in 1992. Completion is scheduled for early to mid-1993.

The Bathurst airport proposed a special fee of approximately \$15 on round-trip passenger tickets in the new year to battle yearly deficits and compensate for lack of operational funds from Transport Canada. At year end, the fee had not been implemented and discussions with the airlines and other interested parties were ongoing.

Sluggish airline passenger statistics during the previous year began to rebound. While not reaching 1990 figures, most regional airports experienced an increase in passenger volumes during 1992 as compared to 1991, as can be identified in *Table 4*. Regional shippers were experiencing problems in the past year with air cargo services, particularly so in relation to shortage of capacity to meet peak seasonal demands to Europe, Asia and the United States. In late October, 1992, KLM replaced its B747 aircraft (cargo carrying capacity of 37,000 kg) with a B767 aircraft service (cargo carrying capacity of 9,000 Kg), resulting in a major reduction in capacity.

Both connector carriers, Air Nova and Air Atlantic, continued to contract with their respective affiliated carriers for the carriage of freight on a space/weight availability basis. With the increased use of regional carriers over the past years, passenger aircraft have been downsized resulting in a reduction in cargo space to many regional airports. Also contributing to the problem are the traffic imbalances that have been caused by a shortage of incoming traffic (see page 40, *Regional Air Cargo Services*, for further details).

Table 4 also shows air cargo volumes at major airports in the region. Total cargo figures shown are understated, as only dedicated freight services are recorded. Belly freight and courier services are not reported by site.

Table 4

ATLANTIC REGION AIRPORTS TOTAL ENPLANED AND DEPLANED			
PASSENGERS*			
	1992	1991	% Change
Charlottetown	195,000	178,700	9.1
Fredericton	215,000	195,621	9.9
Gander	103,000	100,754	2.2
Halifax	2,315,000	2,292,429	1.0
Moncton	237,000	220,840	7.3
Saint John	200,000	197,300	1.4
St. John's	625,000	613,277	1.9
CARGO# (Tonnes)			
Charlottetown	84	1660	- 49.4
Fredericton	86	97	- 11.3
Gander	129	95	35.8
Halifax	14,620	16,769	- 12.8
Moncton	2,948	4,057	- 27.3
Saint John	108	180	- 40.0
St. John's	2,996	3,239	- 7.5

* Estimates based on six months of Statistics Canada activity and advanced annual information received from the airport managers.

Based on first eight months of data for years 1991 and 1992.

Source: Transport Canada

Marine

A number of changes in the marine transportation system took place in the Atlantic Provinces during the year. These changes involved regulatory matters, services, rates and inland transportation links.

Bill C-33, an Act respecting the use of foreign ships and non-duty paid ships in coasting trade, received Royal Assent on June 23, 1992. The new *Coasting Trade Act* which took effect December 1, 1992, is discussed more fully on page 34.

On March 1, 1993, the federal Minister of Transport, the Honourable Jean Corbeil, issued a discussion paper which set out various policy options for a proposed revision of Part IX, Sections 574-584, of the *Canada Shipping Act*, governing the limitation of liability for maritime claims. This legislation largely reflects the provisions of the 1957 International Convention relat-

ing to the limitation of liability of owners of sea-going ships (1957 Convention) although Canada has not ratified it. It is believed that the limits of liability established in 1957 have been eroded by inflation and revision of these limits is long overdue. This discussion paper is part of the consultation process which invited comments on the proposed legislation by the end of May 1993.

In mid-1992, the eight-member Task Force on the Future of the Port of Halifax released Phase I of its findings and recommendations. The main objective of the Task Force was to find ways to improve the competitive position of Halifax as an international intermodal distribution centre (see page 31, *Atlantic Port Competitiveness*, for details).

On March 19, 1993, two bills, namely, Bill C-83, an Act respecting the transportation of goods by water, and Bill C-97, an Act respecting marine insurance, received second reading by the House of Commons and were referred to the Standing Committee on Transport. The two Bills deal with the establishment of clear rules for conduct of business for certain aspects of marine commerce dealing with liability and insurance. First, Bill C-83, the Carriage of Goods by Water Act, is intended to modernize Canadian legislation concerned with the rules of liability and compensation for damage or loss of goods during carriage by water. The Bill will allow Canada to implement new liability rules on a gradual basis, in step with acceptance and adoption of international conventions by its trading partners. It will demonstrate Canada's intention to accept the Hamburg Rules when it is proven that they will provide a viable basis for new cargo liability conditions for international trade. The second, Bill C-97, an Act respecting marine insurance, provides a positive response to the concerns of the marine insurance industry. Bill C-97 attempts to create an interlocking relationship of federal and provincial law that ensures that maritime insurance is covered by a statutory framework. On March 31, 1993, the sixth and seventh reports of the Standing Committee on Transport, dealing with Bill C-97 and Bill C-83, were presented to the House. At the time of writing this report, these two Bills were awaiting third reading by the House.

A transportation industry alliance was announced on October 7, 1992, by Ports Canada, CN North America and CP Rail Systems, to promote the greater use of Canadian transportation

routings. "Advantage Canada" will promote a coordinated seamless system of cargo transportation in Canada. The initiative was developed following a comprehensive study and industry consultations regarding the competitiveness of Canadian intermodal handling systems. National, regional and local issues effecting Canada's competitiveness will be addressed. Participation was welcomed from all major stakeholder groups with an interest in the Canadian transportation system. While the alliance will be commercially-oriented, it may include federal and provincial government participation. "Local Gateway Councils" have been established in Halifax (the name was later changed to "Halifax Shareholders Conference"), Saint John and St. John's. The mission of these Gateway Councils is to forge a unifying relationship among the ports' transportation stakeholders in order to provide and promote a competitive, high-quality level of transportation service for their customers.

To assist port competitiveness during this recessionary period, the major national port corporations representing Halifax, Saint John and St. John's did not increase their primary tariff charges for 1993, continuing the trend of recent years.

Pilotage rate increases by the Atlantic Pilotage Authority were approved by the National Transportation Agency effective June 18, 1992. A 4.7% increase was applied to the tariffs for trips and movements in the compulsory pilotage areas of Halifax, Saint John, Come-by-Chance, Humber Arm, Stephenville, Bay of Exploits, Restigouche and Miramichi. The Agency also approved an increase of 4.7% in supplementary and miscellaneous pilotage charges common to pilotage areas. In addition, a new non-compulsory pilotage area, Belledune, was introduced in the regulations, while two non-compulsory areas, Buctouche and Shediac, were deleted from the regulations.

On February 27, 1993, the Atlantic Pilotage Authority published a notice in Part I of the Canada Gazette for a proposed overall tariff increase of 7% for all compulsory pilotage areas effective as soon as possible and an overall increase of 8% effective one year after the 7% is implemented. The intent of this proposed increase is to offset inflationary cost increases and a downturn in shipping activity and to assist the Authority in its effort to operate on a self-sustaining financial basis. Notices of objection to the proposed increase were filed with the NTA by the

Nova Scotia Department of Transportation and Communications, the Shipping Federation of Canada, Kent Line Ltd., Halifax Board of Trade, Halifax Port Corporation, Halifax-Dartmouth Port Development Commission, the Canadian Shipowners Association, Saint John Port Corporation, the Halifax Shipping Association and the Government of Newfoundland and Labrador. No decision had been made by the NTA concerning this matter at the conclusion of the year under review.

Although not involving pilotage services provided under the Atlantic Pilotage Authority, an interesting turn of events was noticed regarding the Laurentian Pilotage Authority (LPA). In mid-April, 1992, the Canadian Shipowners Association announced it would withhold payment, until further notice, for all pilotage services provided under the jurisdiction of the LPA for shipowners specializing in the Great Lakes and St. Lawrence trades. According to the Association, the decision stemmed from "many years of fruitless discussion" to halt escalating pilotage costs and carry out reforms that, among other things, would eliminate a "biased" regime against CSA masters in the examination process for pilotage certificates. This situation continued until September, when the CSA and the LPA entered into agreement to address a number of contentious issues.

In early 1993, CN North America completed line clearance improvements into Halterm terminal at the Port of Halifax and is now able to offer a full double-stack service from Halifax to Vancouver. CN becomes the only railroad in North America which can offer a single line trans-continental double-stack service. The fact that it can now handle two high cube containers (9'6" high each) in combination is another first. This significant development will allow the Port of Halifax and CN to more aggressively pursue high value reefer cargo moving inland and landbridge opportunities with the Port of Vancouver.

This past year brought a number of changes in international shipping services involving Atlantic Canada Ports some of which are summarized below:

➤ *In September, 1992, DSR (Canada) Maritime Inc. inaugurated a new shipping service between Saint John, NB, and Mediterranean ports. In addition to providing numerous shipping connections throughout the Mediterranean, this new service also provides service*

through the Suez Canal to ports in the Persian Gulf and South East Asia.

- *Maersk Line, one of the Port of Halifax's largest container line customers, doubled its service between Halifax and North Europe, beginning in May of 1992, offering a direct eastbound service from Halifax to North European ports. After a three-month trial period, the service was terminated.*
- *Beginning January 7, 1993, Maersk also introduced a new South America service, called the Andean Service. The service offers a bi-weekly schedule with direct calls in Columbia, Peru and Chile.*
- *Zim Israel Navigation Company introduced a new service in October, 1992, between North and South America. The service operates on an independent liner basis via New York with a frequency of every 17 days with container traffic being accepted at Halifax. A temperature-controlled service will be available in addition to the 20-foot and 40-foot dry containers.*
- *Panama-based Melfi Marine Corp. initiated a new container service to Halifax. Melfi calls at Halterm Container Terminal every 20 days utilizing 130 TEU container vessels which are also able to accommodate breakbulk cargo. The new service provides a new transportation option for Atlantic Canadian shippers to access the growing markets in South America and Mexico, in addition to service to Cuba and Jamaica.*
- *In early 1992, KNI-Greenland Trade ended their service from Saint John to Greenland which was provided every 3 months. A new agreement was reached between Eimskip and Royal Arctic Line out of Halifax to service the Greenland trade.*
- *Star Shipping introduced a regular service to the Mediterranean from Saint John in the later part of 1992. The service had been introduced on an inducement basis a couple of years ago and was dropped. The service is now provided every 6 weeks.*
- *Lykes Line started calling at the Port of Saint John at the beginning of August, 1992. Lykes is now calling Saint John as a continuation of their import Middle East Service from the Mediterranean ports of Leghorn, Italy and Valencia, Spain. The vessels then load export*

cargo for Mexican ports. A second service is also provided every ten days to Africa in conjunction with Safbank Line Limited.

- *One of the Port of Halifax's biggest customers returned in force. As reported in last year's annual report, Atlantic Container Lines (ACL) and Hapag-Lloyd had begun moving half of their containers, or roughly 50,000 20-foot equivalent units (TEU), per year over the Port of Montreal. In early 1993, ACL signed a one-year contract with CN Rail to ship approximately 24,000 TEUs per year from Halifax to central Canadian markets, returning roughly 90% of the ACL traffic which Halifax had previously lost to Montreal.*
- *Domestically, Oceanex announced the addition of LTL (less-than-truckload) to their transportation service between Newfoundland and central Canada, with interlining arrangements with western Canada and United States points also being available.*

Capital improvements at the Port of Saint John, included resurfacing of the area where sheds 2 and 3 were taken out; a new access road on the west side; the cutting of a ro/ro notch at Pier 3; and demolition of the Saint John grain elevator. Work was also started in the early part of 1993 on a new \$3 million floating ro-ro ramp for the Forest Products Terminal at the Port of Saint John. Little activity other than maintenance work was experienced at the Port of Halifax, while a \$12 million crane was set up at the Port of Belledune to unload coal from ships which will provide fuel for the new NB Power plant.

A statistical summary of traffic handled at Port Canada ports in the region is provided in Table 5. While not as severe as the previous year, the Port of Halifax continued to experience a decline in traffic during 1992. The Port of Halifax traffic statistics showed a 6% reduction in volumes in 1992 as compared to 1991, with a sharp decline of 20% in container traffic. Shipments through the Port of Saint John were down by 7%,

Table 5

WATER CARGO TONNAGE LOADED OR UNLOADED AT PORTS CANADA PORTS
(In Metric Tones)

Calendar Year	Saint John	Halifax	St. John's	Belledune	Total
ALL CARGO					
1992	15,931,754	13,964,288	907,371	340,978	31,144,391
1991	17,094,221	14,892,266	947,115	330,753	33,264,355
Variance	- 1,162,467	- 927,978	- 39,744	10,225	- 2,119,964
% Change	- 6.80%	- 6.23%	- 4.20%	3.09%	- 6.37%
GENERAL OTHER CARGO*					
1992	935,810	403,275	135,969	—	1,475,054
1991	864,474	479,661	155,951	—	1,550,086
Variance	71,336	- 76,386	- 19,982	—	- 75,032
% Change	8.25%	- 15.92%	- 12.81%	—	- 4.84%
CONTAINER CARGO					
1992	109,143	2,463,392	328,635	—	2,901,170
1991	109,855	3,065,765	338,138	—	3,513,758
Variance	- 712	- 602,373	- 9,503	—	- 612,588
% Change	- 0.65%	- 19.65%	- 2.81%	—	- 17.43%

* Excludes bulk cargo

Source: Canada Ports Corporation

with slightly under 1% reduction in container traffic. On a positive note, general cargo handled at the Port of Saint John, excluding bulk and container traffic, increased by 8%. The Port of St. John's managed to hold its own during 1992, despite the recession and the cod moratorium. The total amount of cargo handled at the port declined by slightly more than 4% compared to the 1991 figures. As was the case in the previous year, statistics for the Port of Belledune revealed an increase of 3% in traffic. This makes Belledune

the only Ports Canada facility in the region which showed an increase in activity.

Ferries

Table 6 illustrates ferry operating statistics for the major ferry operations in Atlantic Canada. Automobile and passenger traffic declined on all ferry services in 1992. Decreases in trucks and tractor trailers were experienced by a number of the services, while the North Sydney-Port aux Basques, the Saint John-Digby and the

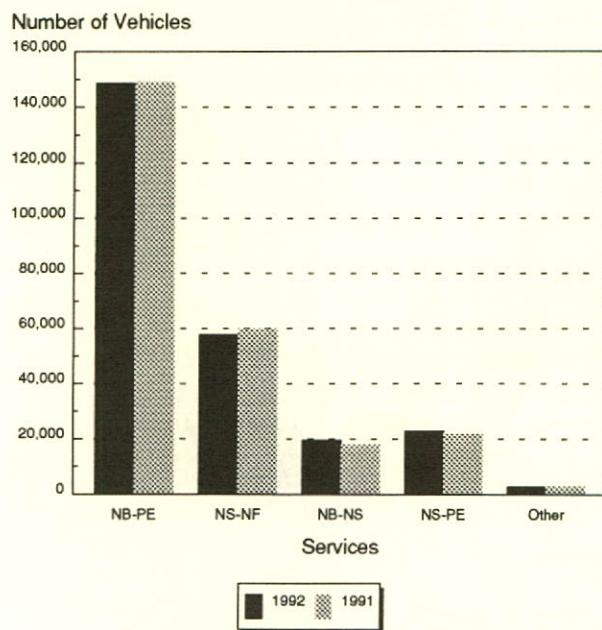
Table 6

FERRY OPERATING STATISTICS FOR ATLANTIC CANADA

<u>Service</u>	<u>Year</u>	<u>Passengers</u>		<u>Automobiles & Pick-Up Trucks</u>		<u>Trucks & Tractor Trailers</u>
MARINE ATLANTIC SERVICE						
Cape Tormentine - Borden	1992	1,704,022	- 2.2%	600,911	- 3.5%	148,542
	1991	1,742,563		622,564		149,099
North Sydney - Port aux Basques	1992	361,528	- 0.6%	101,966	- 2.1%	58,325
	1991	363,672		104,176		58,160
North Sydney - Argentia*	1992	38,894	- 5.3%	11,698	- 3.9%	433
	1991	41,074		12,177		735
Yarmouth - Bar Harbour	1992	85,609	- 15.7%	23,353	- 16.3%	2,687
	1991	101,514		27,891		3,033
Saint John - Digby	1992	183,791	- 6.3%	46,360	- 6.4%	19,538
	1991	196,219		49,508		17,884
NORTHUMBERLAND FERRIES LIMITED						
Wood Island - Caribou♦	1992	#249,899	—	167,102	- 4.8%	22,673
	1991	526,586		175,484		21,987
PRINCE OF FUNDY SERVICE						
Yarmouth - Portland■	1992	157,214	- 3.3%	26,617	- 6.5%	992
	1991	162,568		28,455		992
* 1992 operated June 19 to October 24 1991 operated June 2 to October 23				♦ 1992 operated May 12 to December 20 1991 operated April 29 to December 20		0.0%
				■ 1992 operated May 7 to October 25 1991 operated May 2 to October 20		
# From Wood Islands only due to implementation of fare system which collects on one direction of travel only.						

Graph 1

**COMPARISON OF TRUCK AND TRACTOR
TRAILER TRAFFIC FOR
ATLANTIC CANADA FERRY SERVICES**



Source: Marine Atlantic Inc.
Northumberland Ferries Limited
Prince of Fundy Cruises Limited

Wood Island-Caribou services experienced increases in traffic volumes. *Graph 1* illustrates the relative traffic volumes on the ferry services linking the Atlantic Provinces.

In December, 1992, Marine Atlantic announced a rate increase effective February 5, 1993, applicable to its ferry services in Atlantic Canada. Tariff adjustments for commercial vehicles varied among the services. The Prince Edward Island and Newfoundland services experienced a 3% increase. The Newfoundland coastal service rates were increased by 10% for minimums of 0 to 10,000 lbs. (other freight rates remained unchanged) and there was a 4.4% increase in freight vehicle charges. The Saint John-Digby and the Yarmouth-Bar Harbour fare structure remained unchanged with the exception of a \$5 increase in "drop trailer" charges on the Saint John-Digby service.

The new \$3.4 million Deer Island ferry, the *Deer Island Princess*, was placed in service early in 1993. While the ferry was christened in November, 1992, modifications to the ferry's rudder system to handle the strong tidal current and

modifications to the loading ramps were required before service could begin.

Construction of the 225-car ferry for Northumberland Ferries continued during the year. The ferry is expected to be in service by mid-July. Improvements and modifications to the dock facilities to handle the new ferry are also underway.

General Level of Rates

As a result of federal transportation legislation and regulatory changes implemented during 1988, monitoring and reporting freight rate increases continue to be a difficult task. A large percentage of the freight traffic moving from, to or within the Atlantic Provinces moves under confidential contracts or by carriers who keep their rates confidential. Input received from shippers and manufacturers indicated that most companies experienced no rate increases in 1992. Of those companies experiencing increases the percentage was usually under 5%.

Increases in freight rates published in available tariffs for the truck mode were minimal. Tariff rate increases for the rail mode were generally between 2.5% and 5%, while air cargo rates were stable. Ocean rate conferences and independent carriers published a number of general rate increases. Of particular importance was the major tariff restructuring of the Canada/United Kingdom and the Canadian Continental East-bound Freight Conferences effective March 1, 1993. The ocean rates under the new class rate structure reflect increases from the previous levels (in addition to the restructuring, the rates reflect a general rate increase of \$200 (Canadian) for 20-foot containers and \$300 (Canadian) for 40-foot containers. This increase is covered more fully on page 33, *Ocean Rates Restructured*.

According to information supplied by the National Transportation Agency, there were 5,614 new confidential contracts issued by rail carriers in 1992, as compared with 5,086 in 1991. There were also 9,039 amendments to old contracts in 1992, as compared with 8,278 in 1991. Atlantic Canada's portion was 469 contracts (8.4%) and 2,096 amendments (23.2%). It should be noted that a confidential contract may cover more than one commodity and that some contracts were amended more than once during the year.

ROYAL COMMISSION ON NATIONAL PASSENGER TRANSPORTATION

The final report of the Royal Commission on National Passenger Transportation was released in November, 1992. The Commission's mandate was "... to inquire into and report upon a national integrated intercity transportation system to meet the needs of Canada and Canadians in the 21st century and to ensure that transportation links among Canada's regions and communities are maintained and improved." Although the mandate was to look primarily at transportation from the point of view of the passenger, it was acknowledged that freight issues and passenger issues are very difficult to address separately.

The APTC presented a brief to the Royal Commission in July, 1990, and commented on the Interim Report in June of 1991. The APTC's comments focused on three main issues: the critical importance of transportation to regional economic development; the inter-relationships between passenger and freight services; and regional highway and railway needs.

Final report recommendations of the Royal Commission included:

1. Passenger transportation should be moved out of the government regime into one that is supported and maintained by travellers.
2. Decision-making authority in passenger transportation should be assigned to the level of government that is closest to people and able to efficiently exercise such authority.
3. All modes of travel should be treated equally.
4. Non-travelling Canadians should not pay the bill for those who travel.
5. The environment should be protected.
6. Carriers should face market pressure to respond to consumer preferences and reduce costs.
7. Passenger transportation infrastructure and services should more closely match travellers' needs.
8. Travellers should pay for what they use, no more, no less.

9. People with disabilities should have wider access to the passenger transportation system.
10. The passenger transportation system should be transparent in its accounts and governments should be accountable for their decisions.

Highlights that are of concern to the APTC include advocacy of a user-pay philosophy for both services and facilities. The report also advocates that each service link or facility fully recover its particular operating costs, thus eliminating the need for any form of government funding. The following excerpt illustrates this view:

Our recommendation that travellers pay the full costs of their travel means that travellers using a public mode of transportation such as the bus, train, commercial airplane or ferry, as well as those travelling by private car or private airplane, will pay fares, taxes or fees sufficient to cover their share of the full cost of providing services they use. The recommendation also means that the burden on the general taxpayer would be reduced accordingly.

As mentioned above, the report is primarily concerned with passenger transport, but it does make several recommendations which may affect freight transport. For example:

Conventional tolling systems be considered when new or expanded, limited-access highways are required, with tolls set to cover any costs of the road link in question exceeding those recovered by fuel taxes.

Provincial and territorial governments institute weight-distance taxes for trucks as part of an overall road-financing program.

The Royal Commission's report, along with the report of the NTA Review Commission, as outlined on the following page, will be the subject of public hearings of the House of Commons Standing Committee on Transport in April-June, 1993, during which time the APTC will make its views known on behalf of regional shippers.

NATIONAL TRANSPORTATION ACT COMPREHENSIVE REVIEW

The National Transportation Act Review Commission was established under the terms of the National Transportation Act, 1987, to review the effects of the Act and related legislation (see page 36, *1991-92 Transportation Review and Annual Report*). The Commission was asked to assess the effects of the legislation on carriers, shippers and travellers, as well as on trade and regional development. The Commission was also requested to make recommendations on how the legislation might be more effective.

In its submission to the Review Commission, the APTC noted that shippers in the Atlantic Region have generally benefited from the increased freedom of carriers to respond to the market. Shippers have seen greatly increased competition for their traffic in terms of both price and services offered. The overall effect of the relaxation of economic regulatory controls on the transportation industry has been positive for Atlantic Region shippers.

In terms of specific items contained in the legislation, the APTC supported the continued use of confidential contracts, retention of various competitive access provisions, expiration of the "reverse onus" provisions of the Motor Vehicle Transport Act and the retention of the Shipping Conferences Exemption Act with strengthened pro-competitive features. The APTC feels that the compensatory rail rate provision contained in the Act is now obsolete and that the rail abandonment provisions do not deal adequately with rail lines which may be considered essential to the economic development of the region.

The report of the Review Commission was released in March, 1993. It focused on the state of competition in the transportation industry, examining both the costs and benefits of competition to the carriers and to shippers. The role of governments in regional development, subsidies, taxation, and the provision of infrastructure and the effectiveness of the National Transportation Agency in administering the Act were also examined.

The Review Commission's final report contained 56 recommendations concerning legislative and policy changes designed to remove any remaining impediments to the continued development of a competitive Canadian transportation sector. The overall conclusion of the Review

Commission was that the regulatory reforms contained in the NTA, 1987, and related legislation, while subject to refinement, are the correct responses to Canada's economic needs and have been successful in achieving their established objectives.

The Review Commission went on to state that, while regulatory reform has been a particular success in relation to freight shipments, passenger services have been enhanced dramatically as well. There can be no doubt that Canada's industrial base has benefited from the reduction in cost and improvement in service that are directly attributable to the passage of the NTA, 1987, according to the Review Commission. While regulatory reform and the resulting increased competition have contributed to added pressures on carriers, the country, overall, has benefited. Costs to move Canadian goods to domestic and foreign markets have declined as competitive options have been made available through multimodal competition and carrier innovation.

The federal Minister of Transport has announced that the Review Commission report, along with the final report of the Royal Commission on National Passenger Transportation, will be the focus of a Transport Canada working group. It will assess the recommendations and develop a plan for implementation of those recommendations agreed to by government. The working group will make public by September, 1993, a status report that will address operational recommendations and progress on policy issues.

The Review Commission report contains a number of conclusions and recommendations that are seen in a positive light as being consistent with the position advanced by the APTC and others in Atlantic Canada. However, there are a number of recommendations respecting subsidies, user pay and freedom to abandon (essential) rail lines that fly in the face of regional economic development. The APTC will address these concerns in a submission to the House of Commons Standing Committee on Transport early in the coming year and pursue other opportunities to prevent the implementation of the measures which will have a negative impact on this region.

The House of Commons is scheduled to report the results of its review of the matter to the Minister of Transport in June, 1993.

RAIL RATIONALIZATION

In the year under review, 90.38 miles of rail lines in the Maritimes, specifically in New Brunswick, were ordered abandoned by the National Transportation Agency (NTA) to take effect during 1993. Applications to abandon another 162.3 miles were filed with the NTA, comprising 152.2 miles in New Brunswick and 10.1 miles in Nova Scotia.

A number of CAR lines (Canadian Atlantic Railway, Division of CP Rail) ordered abandoned by the NTA remained in operation pending a decision of an appeal to the Federal Court by McCain's Foods of Florenceville, NB. In all, 175.74 miles in the Province of New Brunswick, including portions of the Edmundston, Gibson, Shogomoc and Tobique Subdivisions, had been ordered abandoned by the NTA in previous years. After a hearing in Fredericton, on October 19, 1992, the Federal Court rendered its decision. The decision, dated November 24, 1992, dismissed the appeal. McCain's is presently seeking leave to appeal to the Supreme Court. As of the year end covered by this report, leave to appeal has not been granted by the Supreme Court. CP Rail has, however, given its undertaking to the Supreme Court that what remains of the rail and other track material on these lines will not be removed until disposition of the application for leave to appeal and, if leave is granted, until disposition of the appeal.

Notice of application was filed February 24, 1993, by CP Rail to abandon all remaining rail lines of its Atlantic Region division (CAR) with the exception of the line in Nova Scotia between New Minas and Windsor Junction, which is to be offered for sale as a regional railway. All CP Rail lines east of Sherbrooke, PQ, including its main line linking Saint John and Montreal will be affected.

On December 23, 1992, CN Rail applied to abandon operation of its Havelock Subdivision between Petitcodiac and Havelock, a distance of 11.90 miles in the Province of New Brunswick.

Graph 2 shows the extent the Maritime Provinces have been subjected to rail abandonments in comparison to the remainder of the country. "Lines Under Appeal" refer to the New Brunswick lines subject to the McCain appeal discussed above. "Lines Under Process" refer to the lines in relation to which abandonment applications have been filed and are pending a NTA

decision, as well as lines ordered abandoned after March 31, 1993.

Table 7 shows rail lines abandoned, lines abandoned pending leave to appeal to the Supreme Court, as well as lines for which applications to abandon have been filed, as of March 31, 1993.

Essential Rail Network

Through repeated representations to the federal Minister of Transport, commencing in the fall of 1989, the APTC has been urging the Minister to establish a mechanism to prevent the abandonment of rail lines that fall within the concept of an "essential rail network". This concept is one that is presently under study by the Council of Ministers Responsible for Transportation and Highway Safety through a National Rail Network Study Steering Committee (see *1991-92 Transportation Review and Annual Report*, page 30).

On November 17, 1992, CP Rail gave notice of its intention to abandon the operation of its Canadian Atlantic Railway division. All CP Rail lines east of Sherbrooke, PQ, including the main line between Saint John and Montreal are included in the abandonment notice. The APTC considers the main rail line of CP between Saint John and Montreal to be part of an "essential network" which is vital to the transportation needs of the region. Without rail transportation, of which the line in question is a critical part, regional economic development will be compromised. Rail transportation is required not only by manufacturers and producers and resource industries but, in a very critical sense, by the Port of Saint John. Without competitive rail transportation, the port and the region could be placed at a major disadvantage. Regional manufacturers and producers rely on competitive transportation services, including rail, to enable them to compete in North American and overseas markets.

In a November 2, 1992, letter to the Federal Minister of Transport, the Honourable Jean Corbeil, the APTC asked the Minister to intervene to prevent the abandonment application of the main CAR line from being dealt with until such time as appropriate measures can be put in place to deal with essential lines.

Rail rationalization and rail abandonment are an inevitable consequence of competition and market forces. However, it is critical that steps be taken to ensure that rail lines which form part of a network essential to regional economic development do not fall victim to the normal abandonment process.

The Federal Minister replied to the APTC request and has rejected the need for immediate action in addressing the CP application. In his letter, the Minister made the following points:

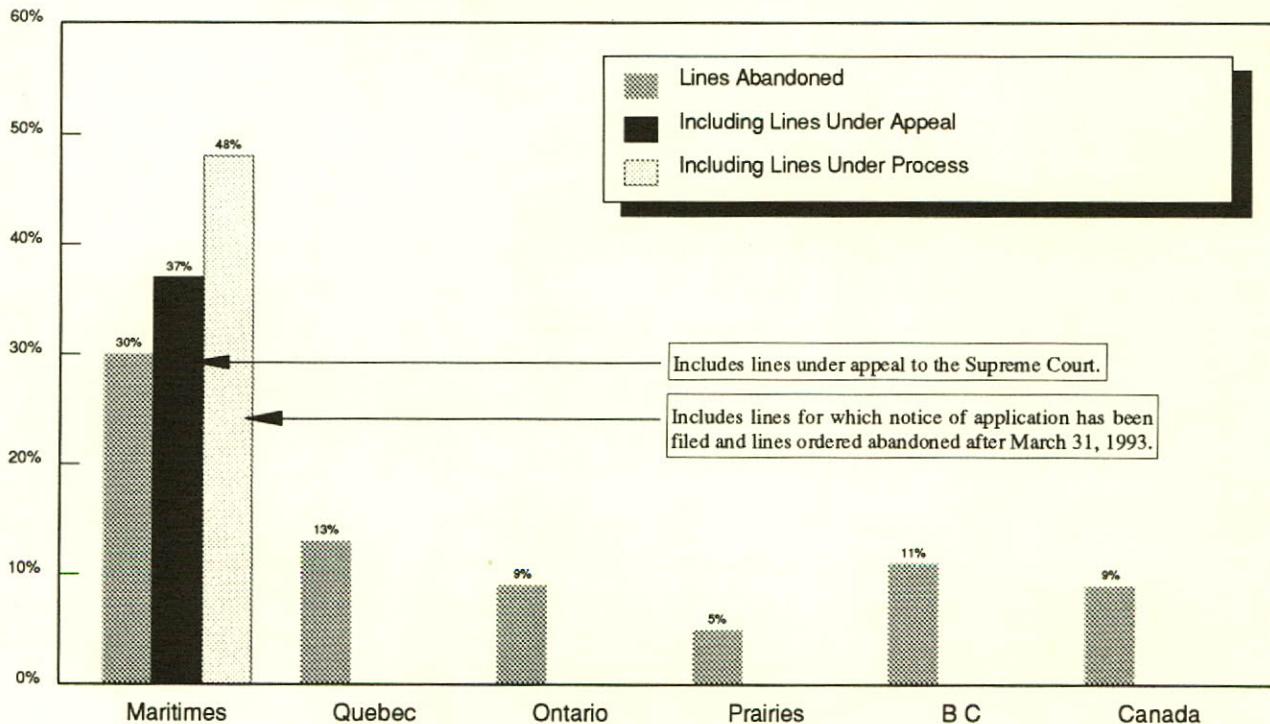
- *The CP Limited notice of Intent to abandon the CAR is far from being an abandonment order. There is opportunity to express opposition before the lines can be abandoned.*
- *The Minister of Transport has no legislated mandate to intervene in the abandonment process between the time of the Notice of Intent and the Agency's abandonment decision is made public (nine months later).*

- *There is no basis at this time to presume that the Agency will indeed decide to order the CAR lines to be abandoned.*
- *Any person can petition the Governor-in-Council to vary or rescind the Agency's decision and order.*
- *Effective date of abandonment will not be less than one year after a decision is made due to the presence of VIA passenger service on the line.*
- *The reports by the National Rail Network Study Steering Committee, the NTA Review Commission and the Royal Commission on National Passenger Transportation are now, or will be, available before abandonment could take place and will be "fully considered" when developing a policy for dealing with rail lines.*

The Minister stated that, "Given the foregoing, I am not prepared to issue the policy statement you request to prevent implementation of any abandonment orders for lines which may be deemed to meet essential rail network criteria."

Graph 2

**RAIL LINE ABDONMENTS JANUARY, 1988, TO MARCH, 1993
AS PERCENTAGE OF LINES IN PLACE JANUARY, 1988**



Source: National Transportation Agency
APTC Files

Table 7

Railway/Subdivision	Located Between	Total Miles	Status
NEW BRUNSWICK			
Abandonments			
CP/St. Andrews Spur	Mileage 0.0 - Mileage 18.12	18.12	Abandoned May 2/93
CP/Champlain Spur	Mileage 0.0 - Mileage 3.68	3.68	Abandoned May 2/93
CP/Fredericton	Mileage 1.0 - Mileage 22.2	21.20	Abandoned December 4/93
CP/Gibson	Mileage 22.0 - Mileage 59.0	37.00	Abandoned December 4/93
CP/Minto Spur	Extending East of South Devon	0.90	Abandoned December 4/93
CP/Southampton Spur	Extending South of Southampton	9.48	Abandoned December 4/93
Subtotal		<u>90.38</u>	
Abandonments Pending Leave to Appeal to the Supreme Court			
CP/Edmundston	Mileage 0.0 - Mileage 20.4	20.40	February 8/91*
CP/Gibson	Mileage 0.0 - Mileage 22.0	22.00	December 31/91*
CP/Shogomoc	Woodstock - Newburg	2.70	July 11/89*
CP/Shogomoc	Point North of Upper Kent - Point South of Aroostook	16.10	July 11/89*
CP/Shogomoc	Mileage 0.0 - Mileage 51.5	51.50	February 8/91*
CP/Shogomoc	Mileage 54.2 - Mileage 75.96	21.80	December 31/91*
CP/Shogomoc	Aroostook - Mileage 105.8	1.20	February 8/91*
CP/Shogomoc	Mileage 75.96 - Mileage 88.5	12.54	July 2/91*
CP/Tobique	Perth Junction - Plaster Rock	27.50	July 11/89*
Subtotal		<u>175.74</u>	
Applications Filed With NTA			
CN/Havelock	Mileage 0.50 - Mileage 12.40	11.90	Filed January 5/93
CP/Edmundston	Mileage 20.4 - Mileage 28.2	7.80	Filed February 24/93
CP/Mattawamkeag	Mileage 0.0 - Mileage 5.6	5.60	Filed February 24/93
CP/McAdam	Mileage 0.17 - Mileage 84.4	84.20	Filed February 24/93
CP/West Saint John Spur	Mileage 2.2 McAdam - End of Track	3.20	Filed February 24/93
CP/St. Stephen	Mileage 0.0 - Mileage 33.9	33.90	Filed February 24/93
CP/Milltown Spur	Mileage 32.8 St. Stephen - End of Track	4.60	Filed February 24/93
CP/Fredericton	Mileage 0.0 - Mileage 1.0	1.00	Filed February 24/93
Subtotal		<u>152.20</u>	
NOVA SCOTIA			
Applications Filed With NTA			
CP/Halifax	Mileage 52.9 - Mileage 56.1	3.20	Filed February 24/93
CP/Kentville Spur	Mileage 56.1 - End of Track	4.60	Filed February 24/93
CP/Kingsport Spur	Mileage 56.1 - End of Track	2.30	Filed February 24/93
Subtotal		<u>10.10</u>	
<p>* On November 24, 1992, McCain's appeal to the Federal Court regarding these abandonments was dismissed. McCain's is now seeking leave to appeal to the Supreme Court. CP has given its undertaking to the Supreme Court that what now remains of the rail and other track material will not be removed until disposition of the application for leave to appeal and, if leave to appeal is granted, until disposition of the appeal.</p>			

In addition to the recent application for abandonment of the CAR, in December, 1992, the President of CN Rail, in an appearance before the House of Commons Standing Committee on Transport, indicated CN's intention to substantially reduce its rail network in Atlantic Canada. The APTC believes it is imperative that the rail network required to serve shippers and industrial development in the region now and in future years be identified. Furthermore, steps must be taken to ensure the continued operation of such lines.

The situation now facing the Atlantic Region places additional emphasis on resolving this issue promptly. Events are outpacing the establishment of a policy to deal with the matter. The very real possibility exists that, in the Atlantic Region, lines which may be deemed to be part of an "essential rail network" will have been abandoned under existing regulation by the time a policy and mechanism are established to protect such rail lines.

The National Rail Network Study Steering Committee presented its first report to a meeting of the Council of Deputy Ministers on March 31, 1993. The results of this had not been announced prior to year end but it is understood that the Committee is to continue with its work.

Truro-Sydney Rail Line

As reported in the *1991-92 Transportation Review and Annual Report*, CN had invited proposals for the purchase of its Truro-Sydney rail line.

A report of the Senate Standing Committee on Transport and Communications regarding an inquiry into the sale of the Truro-Sydney rail line to a short line operator was released in June, 1992. The Committee recommendations were the following:

1. *That the government of Nova Scotia should urgently reconsider its present position and make every effort to ensure that a private short-line operator would be successful. The Committee has examined the performance of short-line operators in both the United States and Canada and is persuaded that a private operator has a better chance of success than a line that continued to be operated by CN.*

2. *That, notwithstanding the refusal of the Government of Nova Scotia to issue a short-line operator an operating permit, it is in the best interests of those most concerned with the continuation of the service that CN proceed with its efforts to sell the line to the most qualified bidder. Lengthy delays in consummating a sale may result in a situation where traffic on the line has declined to the point where a successful short-line operation may no longer be possible. The Committee further recommends that the sale agreement should require that the railway right-of-way must continue to be maintained and that the land involved in the sale must not be used for non-railway purposes.*
3. *That if the sale of this line should be aborted or if the operation of the line by a private owner should fail in the future, for whatever reason, the Government of Canada must ensure continuation of service. The Committee is of the opinion that a clear case has been made that the economic future of the region is dependent upon the continued operation of the line.*

The APTC had appeared before the Committee and presented a brief in support of the proposed sale but stressed the need for adequate safeguards.

On January 27, 1993, the Canadian National Railway served notice to the National Transportation Agency of an agreement it had reached with the Cape Breton and Central Nova Scotia Railway (CB & CNS) a subsidiary of Railtex Services Company Inc. for the sale of the line between Truro and Sydney, NS, consisting of 113.98 miles of the Hopewell Subdivision between Truro and Havre Boucher, 113.90 miles of the Sydney Subdivision between Havre Boucher and Sydney, and 8 miles of the Oxford Subdivision between Stellarton and the end of rail, all in the Province of Nova Scotia.

Following a subsequent NTA directive, CN Rail issued a public notice on February 26, 1993, inviting interested parties to submit an intervention on the conveyance within 30 days to the NTA, with evidence that the intervention had been duly served on CN Rail. The applicant, CN Rail, then had ten days in which to respond to any interventions submitted.

After reviewing the information, the Agency will determine whether or not a public hearing is required.

The APTC supports the sale of the rail line and has submitted an intervention in support of the sale. With appropriate safeguards in place to provide shippers some assurance that an interested and qualified short line operator will continue rail operations over the line, the sale offers the best potential for the continuance of operations on the Truro-Sydney line.

In addition to supporting the proposal, the APTC stressed that it is incumbent upon the Agency to confirm the application of the Maritime Freight Rates Act and the Atlantic Region Freight Assistance Act upon approval of the application, so that shippers on the Truro-Sydney rail line are assured that they will continue to receive benefits to which they are entitled under the MFRA and ARFAA.

The Province of Nova Scotia is now supporting the sale of the line and is in the process of drafting legislation to establish a regulatory regime to govern the operation and safety of railways within the province. The legislation is expected to provide the CB & CNS with full authority to operate a railway within the province and will bind the company in the areas of safety and operations in much the same way as if it were to operate under federal jurisdiction.

A major issue in the discussions between CN, RailTex and the Province of Nova Scotia is the ownership of the land (right-of-way). The province will be granted the right of first refusal to purchase the real estate portion of the short line should the short line cease to exist. At the conclusion of the year, the NTA process for dealing with the application was still underway, with a deadline for a decision of July 27, 1993.

NEWFOUNDLAND TERMS OF UNION (ACE COMPLAINT)

This is a topic that has been ongoing for many years and pertinent events have been recorded in previous annual reports on a year-by-year basis. Last year's report (1991-92) provided an outline of a decision of the National Transportation Agency (the Agency) dated May 22, 1991, and also drew attention to an application for leave to appeal to the Federal Court filed by the Government of Newfoundland and Labrador on the grounds that the Agency erred in law in a number of its findings.

In the May 22, 1991, decision, the Agency found that, "... Term 32(2) is a constitutionally entrenched guarantee that railway rates charged for traffic to and from Newfoundland will be established at a level that is charged for comparable traffic in the Maritimes." Unfortunately, however, the decision places conditions and limitations pertaining to the use of confidential contracts and the type of railway equipment that may be used (relative to rates to the Maritimes) which largely nullifies the use of the more favourable Maritime basis of rates on railway intermodal traffic to Newfoundland.

The Agency issued a further decision dated May 6, 1992, which addressed whether certain impugned railway rates to Newfoundland are consistent with the Terms of Union rate levels based on "contemporary methodology" stipulated in the previous decision. The following excerpt summarizes the Agency's conclusions:

CN must ensure that rates to Newfoundland on this particular traffic are at a Terms of Union level as a maximum requirement, or if below a Terms of Union level, those rates must be compensatory. CN may keep rates at less than a Terms of Union level and at less than compensatory levels only if it can establish to the satisfaction of the Agency that the rate does not substantially lessen competition or significantly harm a competitor and was not designed to have that effect. This onus which is now on CN is consistent with the presumption set out in subsection 113(5) of the NTA, 1987.

On November 26, 1992, in what was referred to as a final decision, the Agency concluded that the impugned CN rates to Newfoundland do not have the effect or tendency of substantially lessening competition or significantly harming a competitor and were not designed to have that effect. The Agency also reaffirmed that the methodology for the development of rates and costs, as set out in its May 22, 1991, decision will be used as the basis for dealing with any further complaints respecting Terms of Union rates.

Application for leave to appeal to the Federal Court, heard in St. John's on September 2, 1992, was granted. In addition to the Government of Newfoundland and Labrador as appellant, the National Transportation Agency as respondent, other participants are ACE, CN, APTC and the Deputy Attorney General of Canada. At the conclusion of the year, the matter had not been set down for a hearing.

NEWFOUNDLAND MONITORING PROJECT

In March of 1991, the APTC and the Government of Newfoundland and Labrador entered into an agreement whereby the APTC agreed to complete "... the monitoring and review (of) the changes in the adequacy of transportation services and the impact on the freight rate structure as a result of the Newfoundland and Labrador Transportation Initiative." The monitoring exercise has, primarily, taken the form of an annual survey of Newfoundland shippers and carriers.

The first of seven annual reports was completed in June, 1992. The objective of the report was to review the transportation services and rates to, from and within Newfoundland. Emphasis was placed on the period from June 1, 1988, to December 31, 1990, but it also provided historical background covering the period from Confederation up to June 1, 1988. The conclusion of the first report can be best summed up in the following quotation, "The absence of an operational railway has had minimal impact on shippers."

The second report covered the period September 1, 1990, to August 31, 1991. It was completed in March of 1993. The objective was the same as the first report except the method of gathering information was directly from the users of the transportation system - the shippers and carriers. The major conclusion of this report is best illustrated by the quotation from the report, "Newfoundland's shippers and receivers do not appear to have suffered either loss of service or rate increases as a result of the decision to terminate the operation of the Newfoundland railway," for this time frame. The major influences on the shippers and carriers have been regulatory reform of the transport industry and the ongoing recession.

As of March 31, 1993, the third report of the series, covering the period from September 1, 1991, to August 31, 1992, is in its final stages of preparation. Completion of the third report is expected in early April of 1993.

ATLANTIC PORT COMPETITIVENESS

Prompted by concern over the loss of shipping services at the port, an eight member Task Force on the Future of the Port of Halifax was appointed in October 1991. The main objective of the Task Force was to find ways to improve the competitive position of Halifax as an international intermodal distribution centre.

The findings and recommendations of the first of a two-part report of the Task Force were released in September, 1992, in a document entitled *Phase 1 - Report on Container Traffic*. The Task Force report contains the following recommendations (in abbreviated form):

Independent Port Authority

1. The federal government move to establish an independent port corporation for the Port of Halifax (Port Authority) with authority and responsibility for the administration of all aspects of the port currently exercised by the Halifax Port Corporation without the financial, procedural and other limitations imposed by Canada Ports Corporation and the federal government. The Port authority would operate under the direction of a Board of Directors appointed upon recommendation of the Province of Nova Scotia.

Inland Rail

2. CN provide more focused attention on the transportation needs of this region and the customers of the Port of Halifax.
3. CN be mandated to contribute to the growth and promotion of a competitive intermodal system in Canada providing inland transportation services to major Canadian ports at a level of service, efficiency and cost-effectiveness required to maintain the viability and growth of major Canadian ports in support of national and regional objectives.
4. The compensatory rate restrictions on railways in the current National Transportation Act be amended to permit Canadian railways to charge less than compensatory rates for the movement of import/export containers where the principle objective of such pricing is the maintenance or promotion of import/export container traffic through Canadian ports.
5. The federal, provincial and municipal governments take steps to ensure a "level playing field" with respect to commodity and other taxes as compared to competing US railways.
6. CN proceed with the expansion of double-stack train service from Halifax to central Canadian and US midwest markets with federal government support where necessary.
7. CN proceed immediately with the establishment of an intermodal terminal in Halifax in the most cost-effective manner.

Feeder Service

8. A common carrier-feeder service from Halifax serving New England markets be encouraged and, if necessary for the establishment of such a service, short-term incentives be made available.

Labour/Management

9. The Task Force report calls for improved labour relations at the port, with greater autonomy for port negotiators in handling labour relations issues.

Pilotage

10. (a) The operational pilotage activities within the Port of Halifax be made the responsibility of the new Port Authority, while the federal government should retain powers on safety related matters.
- (b) Pilotage charges be based on the cost of providing the service and not necessarily on the size of the ship as is the current practice.
- (c) The pilotage operations at the Port of Halifax should not be required to subsidize pilotage activities at other ports in this region.

The Task Force has now focused its attention on other aspects of the port's activities, including bulk shipments, the cruise industry, military activity and airport activities that could interface with import/export cargoes. A report on this second phase of the Task Force's work is expected later in 1993.

PEAT MOSS TO JAPAN

In February of 1992, the APTC completed a report entitled *A Study of the Adequacy of Transportation for the Movement of Peat Moss to Japan* (see page 40, 1991-92 *Transportation and Annual Review*).

The objective of the study was to examine the adequacy and effectiveness of transportation services available for the movement of peat moss from the Atlantic Provinces to Japan and identify potential improvements. The study revealed that there was adequate capacity and service to accommodate the volume of containers expected to move to Japan during 1992. Shippers were, how-

ever, encouraged to explore alternative routes and services and the APTC agreed to continue to monitor the situation.

As a follow-up to the initial report, the APTC conducted a series of interviews with New Brunswick and Nova Scotia peat moss shippers and several ocean carriers during the fall of 1992. A supplemental report was released which concludes that Maritime peat moss exporters are enjoying a relatively stable environment in terms of the level of freight rates being assessed and the capacity and service levels being offered through the Port of Halifax. As a result, the APTC is of

the view that the ability of peat moss exporters to compete in the Japanese market is not being impeded by transportation deficiencies at this time.

It was also noted that certain peat moss exporters were shipping trial shipments of peat moss in bulk through the Port of Saint John in an effort to assess the merits of shipping larger shipments on a regular basis in the future. The APTC has found that most of the smaller producers are not aware of the details of this method of shipping and have exhibited little interest. Those producers that participated in the trial shipments and the larger shipment in August of 1992 have indicated that the cost of the inland transportation plus the handling cost does not offer a notable advantage over the cost of shipping a container to Halifax.

The ocean portion of the shipment is handled on an FOB Saint John basis. In the follow-up report, it was observed there has been no indication as to whether or not the overall cost of the bulk shipping method is lower than shipping by containers, however, at least one major Japanese buyer has expressed satisfaction with the bulk shipments and additional bulk shipments are planned for next year. It is being viewed as a source of competition for the container lines as well as an alternate method of transportation to Japan.

The APTC continued to urge all peat moss exporters to explore every shipping option available to ensure that they remain competitive in the Japanese market, particularly in light of potential competition from parts of Europe.

OCEAN RATES RESTRUCTURED

Effective March 1, 1993, the member lines of the Canada/United Kingdom and the Canadian Continental Eastbound Freight Conferences significantly restructured their tariffs applying on goods moving from Eastern Canada to Europe. Similar changes were implemented on February 1, 1993, by the member lines of the Canada/United Kingdom and the Canadian Continental Westbound Freight Conferences.

This action by the Canadian carriers follows similar adjustments by the 11-member Trans-Atlantic Agreement (TAA) which formally came into effect on January 1, 1993. The TAA increases generally ranged from 15% to 40% on containerized shipments between the United States east coast and northern Europe.

Specific commodity rates have been replaced by a class rate structure of approximately 26 classes for dry freight with additional classifications for reefer freight and specialized cargo. The new rate structure covers only the ocean portion of the movement, with terminal service charges and inland transportation rates shown as additional charges. The lines will continue to provide through transportation, when requested, but only with each component of the transportation charged separately at the actual cost of providing the service.

For the most part, the ocean rates under the new class rate structure reflect increases over

the previous rate levels. The new rates include a general rate increase of \$200 per 20-foot container and \$300 per 40-container. Any existing rates that are not scheduled to expire until after February 28, 1993, will remain in effect until their normal expiry date before being replaced by the new structure.

In an effort to provide more stability than in the recent past, the Conferences have made a commitment to maintain the new ocean class rates at the current level until December 31, 1993. Rate levels are to be reviewed towards the end of 1993.

In addition to the restructuring of ocean rates, the Conferences have amended the inland rates to reflect current costs and the range of ports actually served by the lines (Bremen and Bordeaux have become inland locations and are subject to overland rates from the nearest ports). The adjustments in the inland rates became effective on February 1, 1993, and resulted in additional increases. Inland rates and terminal service charges are to be assessed in the currency of the country where the charges are incurred. The existing currency adjustment factors and bunker adjustment factors, including arrangements for periodic adjustments, will remain in force.

The APTC did a comparative analysis of the old and new rates on key export movements from the Atlantic Provinces and communicated the results to individual exporters.

COASTING TRADE LEGISLATION

On June 23, 1992, Bill C-33 received Royal Assent and became the *Coasting Trade Act*, An act respecting the use of foreign ships and non-duty paid ships in the coasting trade. The act became effective on December 1, 1992.

The new Coasting Trade Act, subject to certain exceptions, will continue to reserve the Canadian coasting trade to Canadian ships and extends the jurisdiction of the coasting trade laws to include offshore development on the Canadian Continental Shelf and commercial activities in Canadian waters. The act also clarifies and eliminates uncertainties associated with the operation of cruise ships in Canadian waters. Former provisions contained in Part X of the Canada Shipping Act have been replaced by the new act, including the elimination of preferential rights granted to Commonwealth ships.

The Coasting Trade Act provides for the temporary importation and use of foreign or non-duty paid vessels with a system similar to that previously available. In effect, where there is no suitable Canadian ship available to perform an activity in Canadian waters, an application for a temporary coasting trade license may be made to Revenue Canada, Customs and Excise. The National Transportation Agency will then review the

application to determine whether there is a suitable Canadian ship available.

This matter has been the subject of long-standing debate and was discussed in last year's report (1991-92), as well as earlier reports. During debate on Bill C-33, as part of the proceedings before both the House of Commons and the Senate, there were attempts by marine workers' unions to restrict the use of foreign ships to the point where shippers would be totally captive to a relatively small Canadian fleet of ships. This would have impeded the ability of shippers with access to marine transportation to utilize this mode of transport and weaken the competitive position of Canadian manufacturers and producers in the domestic market with imports from other countries utilizing foreign ships.

In addition to a written submission to the House of Commons Transport Committee, the APTC appeared before the Senate Standing Committee on Transport in June, 1992, in support of Bill C-33 and stressed the importance of discounting proposals to impose further restrictions against the use of foreign ships in coasting trade. The Senate passed the bill without incorporating further restrictions.

ATLANTIC REGION FREIGHT ASSISTANCE

Payments under the Maritime Freight Rates Act and the Atlantic Region Freight Assistance Act for the calendar year 1992 were approximately \$110 million, which represents a 4.57% increase over the previous year. Details of the payments for the past two calendar years are shown in *Table 8*.

Additional Commodity Coverage

Commodity coverage under the west-bound selective assistance program was extended effective July 16, 1992, to include beverages, flavoured or phosphate (non-alcoholic).

MFRA/ARFAA Subsidies Reduced

The federal Minister of Finance announced as part of his Economic and Fiscal Statement on December 2, 1992, that payments made under the Maritime Freight Rates Act and the

Atlantic Region Freight Assistance Act would be reduced by 10% in each of the next two years. The federal government expects to save a total of \$22 million as a result of the reductions which take effect April 1, 1993.

In response to this announcement, the APTC immediately communicated a number of concerns to the Minister of Transport, Jean Corbeil, with copies to the Minister of Finance and Ministers from the Atlantic Provinces. The APTC urged the government to consider selective changes to the program which would make it more effective, while at the same time, achieving savings in the cost of the program.

During a meeting between the federal Minister of Transport and the APTC, the Minister made it clear that the reduction stems entirely from the need for deficit reduction and virtually all government subsidy programs are being similarly reduced for this purpose. The reduction is

not related in any way to the merits of the subsidy program. In recognition that the savings may be achieved by other than across-the-board reductions, the APTC, in cooperation with Transport Canada officials, was invited to develop alternative methods of achieving approximately the same savings in the cost of the program.

On February 1, 1993, the APTC submitted the following recommendations to Transport Minister Corbeil in lieu of the federal government's proposed 10% across-the-board reduction:

Basic Westbound

1. Limit the application to include only goods "grown, mined, harvested or subjected to a manufacturing process in **select territory**". This would eliminate -
 - (a) used household goods
 - (b) scrap and waste materials
 - (c) returned goods
2. Impose a minimum eligible billing of \$100.

Basic and Selective Westbound

3. Eliminate 1.5% "additonal" payment to truckers

All Programs

4. Savings that will automatically flow from reduced fish movements.

Following a series of meetings and proposals, the efforts put forth by the APTC, in conjunction with the Canadian Manufacturers' Association, to minimize the impact of proposed cuts in the MFRA/ARFAA were successful. An agreement was reached with Transport Minister Corbeil to implement the following changes to the program effective April 1, 1993:

Table 9

Subsidy Category	Status
Selective Westbound (20%)	No Change (20%)
Basic Westbound (30%)	5% Reduction (28.5%)
Intra Regional (10%)	10% Reduction (9%)
Household Goods (Used) Westbound	Ineligible
Scrap and Waste Westbound	Ineligible

The acceptance of a reduction of 5% in the basic westbound subsidy was on the under-

Table 8

TABLE SHOWING PAYMENTS UNDER THE ATLANTIC REGION FREIGHT ASSISTANCE PROGRAMS (\$X'000)

Calendar Year	Rail	Truck	Water	Total
Intra-Regional				
1992	9,600	47,500	700	57,800
1991	9,300	44,300	800	54,400
Westbound Basic				
1992	9,600	28,800	0	38,400
1991	10,000	27,000	0	37,000
Westbound Selective				
1992	3,700	10,000	0	13,700
1991	4,000	9,700	0	13,700
Total Payments - Intra-Regional and Westbound				
1992	22,900	86,300	700	109,900
1991	23,300	81,000	800	105,100
1992 vs. 1991	(400)	5,300	(100)	4,800
Increase or (Decrease)	(1.72%)	6.54%	(12.50%)	4.57%
% Change				

Source: National Transportation Agency of Canada

standing that, as quickly as appropriate supporting data can be developed, in consultation with stakeholders, the government will work towards substituting selective changes (i.e., the objective is to restore the basic westbound subsidy to the normal 30% level within one year). The 10% reduction in the intra regional subsidy is to apply for a period not exceeding 24 months, while the elimination of used household goods and scrap and waste materials as eligible commodities is a permanent feature of the program.

Other selective changes in the program are to be evaluated based on the development of statistical data in full consultation with stakeholders. A more comprehensive review of the program's effectiveness is expected to follow.

Legislation to implement these changes effective April 1, 1993, received Royal Assent on April 2, 1993.

While the original objective of the APTC to prevent **any** reductions in the subsidy levels through selective changes could not be met entirely, the outcome that was achieved responds in a very large measure to the need to preserve the competitive position of regional manufacturers and producers in the important markets of central and western Canada. Under the amended adjustments, projected annual savings in subsidy payments by the federal government remain at 10%, or approximately \$11 million per year, for each of the next two years. This was an overriding requirement of the federal government.

PRINCE EDWARD ISLAND FIXED CROSSING

As reported in last year's review, three developers were submitting their financial security packages to the Government of Canada. This was a preliminary step towards submitting their bids for a 35-year federal annual operating subsidy, which will be paid commencing the first year of operation of the bridge.

When the bids were opened in May, 1992, Strait Crossing Inc. (SCI) of Calgary, AB, provided the lowest bid at \$40.6 million annually in government subsidies to operate the crossing; P.E.I. Bridge Ltd. of Toronto, ON, \$46.2 million; and, Borden Bridge Company of Fredericton, NB, \$64 million. The federal government had set a limit of \$41.6 million in today's dollars for annual subsidies over 35 years. The \$41.6 million figure is the equivalent of the cost to the federal government for the operation of the existing ferry service, including the cost of vessel replacement and maintenance.

In late June, 1992, SCI's bid was rejected on the grounds of technical difficulties in its financial package. Subsequent to the SCI rejection, the other two bids were also deemed unsatisfactory because of technical problems. At that point, Ottawa had the option to reopen the tendering, renegotiate with the bidders or abandon the project. In July, Ottawa entered into negotiations with SCI.

On December 11, 1992, the federal government announced that SCI had been selected to

design, build and operate a concrete bridge between Prince Edward Island and New Brunswick. Before the project could begin, however, SCI was required to finalize its financial backing for the project and conduct public hearings on its Environmental Management Plan.

The federal government, Prince Edward Island and New Brunswick entered into a political agreement to proceed with the fixed link project on December 16, 1992. The agreement includes:

- *\$10 million fund to compensate fishermen;*
- *up to \$20 million from Ottawa for redevelopment of Borden, PE, and Cape Tormentine, NB, to compensate for the loss of the ferry operation.;*
- *federal compensation for ferry workers;*
- *an agreement to keep ferry toll increases below the rate of inflation;*
- *a commitment to retain a private ferry service between Wood Islands, PE, and Caribou, NS;*
- *an agreement by SCI to fund and build approach roads on the Prince Edward Island side of the bridge; and,*
- *an agreement by SCI to build a bridge across the Hillsborough River between Charlottetown and eastern Prince Edward Island.*

The next day, the Province of Prince Edward Island and Strait Crossing Inc. signed an

industrial benefits package that guaranteed a number of bridge benefits to the Prince Edward Island economy. The agreement guaranteed that 70% of the project components will be acquired in Atlantic Canada.

Bill C-110, the Northumberland Strait Crossing Act, is presently awaiting third reading in the House of Commons. The Act provides the Minister of Public Works with the authority to enter into agreements with respect to the crossing. These agreements include provisions for its design, maintenance, financing, development, construction and operation of the crossing; undertakings in relation to industrial and employment benefits; provisions respecting tolls; and, such other terms and conditions as the Minister considers desirable.

The coalition opposing the proposed bridge crossing, *Friends of the Island* (consisting of ferry workers, fishermen and environmentalists), filed a challenge against the fixed link proceedings with the Federal Court of Canada in mid-December, 1992. The challenge sought to force the government to conduct a full environmental assessment of the specific design proposed by SCI. The court challenge would see that no work on the link should begin until the environmental assessment is complete. A full environmental assessment could take up to two years to complete. The federal government had targeted the spring of 1993 as the starting date for construction of the link.

The Federal Court decision was handed down March 19, 1993. The decision ruled that the proposed bridge should undergo an environmental assessment. Public hearings on a generic proposal are not a substitute for a specific evaluation of the actual project being considered. As well, the ruling stated that the planned bridge would violate the federal obligation to provide

ferry service to Prince Edward Island. Public Works Canada (PWC) is appealing the Federal Court decision. In the meantime, PWC is assessing the level of environmental assessment required on the SCI bridge to comply with the Federal Court order.

The APTC supports a fixed crossing of the Northumberland Strait as the best means of providing a long-term and efficient transportation connection for both passengers and freight between Prince Edward Island and the mainland. In support of the fixed crossing, the APTC issued press releases providing a summary of link benefits based on input from companies, agencies and organizations regarding the economic and social benefits associated with a fixed crossing. As well, the APTC released a graphic portrayal showing the variance between ferry tolls and proposed bridge tolls. Using 1987 as a base year, the actual ferry tolls were plotted as well as the hypothetical bridge tolls which would have been in effect if the bridge had been built. The bridge tolls were based on the ferry toll equivalent of 1987 and increased annually based on 75% of the change in the previous year's national Consumer Price Index (CPI) (the tolls for the fixed crossing are proposed to start at the ferry toll equivalent, with annual adjustments not greater than 75% of the increase in the CPI). These comparisons were developed for commercial vehicle tolls, passenger vehicle tolls and passenger tolls. For example, the analysis showed that, for commercial vehicle tolls, the ferry user cost is almost 37% higher than the proposed fixed link tolls.

An earlier analysis by the APTC estimated that time-cost savings for carriers using the crossing would be upwards of \$10 million per year. Additional benefits to the trucking industry would result from the opportunity for greater equipment utilization, as a result of a reduction in total travel-time possible with a fixed crossing.

ATLANTIC EXPRESSWAY

The long-awaited "Atlantic Expressway" - an upgraded four-lane arterial highway network linking the Atlantic Provinces to the rest of Canada - gained momentum during the year in review.

The routing of the Nova Scotia section of the new \$113 million Truro-Amherst highway twinning project between Thompson Station Road and Masstown received environmental approval, allowing for an anticipated completion within two years.

At the end of the year in review, the Provinces of Nova Scotia and New Brunswick had reached agreements with the federal government on funding to upgrade the Trans Canada Highway and associated arterial highways (known as the "Atlantic Expressway"). The agreements are part of the Strategic Capital Investment Initiative contained in the federal government's Economic and Fiscal Statement delivered by the Federal Minister of Finance on December 2, 1992.

Under the five-year agreement in Nova Scotia, the federal and provincial governments will each contribute \$70 million to upgrade sections of the national highway system including Highway 104 between Amherst and New Glasgow, Highway 101 between Beaverbank Interchange and Mount Uniacke Interchange, and sections of Highway 125 in Cape Breton. Emphasis will be placed on the Amherst to New Glasgow upgrading project with the intention of completing the majority of the work in the shortest time possible.

In New Brunswick, the four-year highway spending plan signed by the provincial and federal governments calls for \$260-million to be equally cost-shared between the two governments. In addition, a special \$40-million regional development agreement is expected to be signed shortly which will bring the total highway funding deal to \$300-million.

The program covers eight sections of the Trans Canada Highway involving 135 kilometres. In addition, two sections of arterial roadway involving 37 kilometres of Highway 1 between Saint John and Sussex and 22 kilometres of Highway 7 between Fredericton and Welsford will be rebuilt.

While this agreement does not provide for the complete twinning of the Trans Canada Highway system, it is viewed as a major step towards this end. In October of 1992, the Council of Maritime Premiers and their Ministers of Transportation released a paper entitled *Opportunities for Cooperation in the Development of Transportation Infrastructure*. The report stressed that currently 75% (1,500 km) of the national highway system in the Maritime Provinces is deficient, compared with 38% for Canada as a whole. A further 1,200 km of other primary highways in the region are considered deficient as well. The total cost for repairing these deficiencies amounts to \$3.6 billion.

In Newfoundland and Labrador, the federal government announced that it will spend \$25 million on road construction and repair in the upcoming year as part of the Strategic Investment Program. However, as the federal and provincial governments failed to reach an agreement on details of the program, including cost-sharing arrangements, it was uncertain at year end whether this work would go forward. Apart from this proposal, twenty-three highway improvement projects, valued at \$52 million will be carried out in the province this year under the Newfoundland Transportation Initiative.

CCMTA TASK FORCE ON LOAD BROKERS/OWNER-OPERATORS

The final report of the Canadian Council of Motor Transport Administrators (CCMTA) Task Force on Load Brokers/Owner-Operators was released in mid-1992.

Based on findings reported in a discussion paper in 1991, the Task Force developed and recommended the adoption of model legislation for the registration of load brokers, terms and conditions of vehicle registration for owner-operators, and standards for contracts between owner-operators and carriers. These models include:

Motor Vehicle Transport Brokers Act and Regulations - This model provides for the registration of transport brokers and the guidelines for the issuance of registration.

Terms and Conditions of Owner-Operator Vehicle Registration - An owner-operator may provide highway transportation equipment registered in the name of the owner-operator, to a licensed carrier, for operation under the license

held by the carrier, subject to the terms and conditions outlined in the report.

Owner-Operator Contract Standards - Provides for a written contract between the carrier and the owner-operator. Outlines essential terms required in the contract and the obligations of the parties involved.

The intention of developing model legislation, terms and conditions and standards is to promote uniformity between jurisdictions. The model legislation is before the provincial jurisdictions which have the option of implementing this legislation.

As noted in last year's review, while recognizing the difficulties facing the trucking industry in Canada, the APTC does not feel that the regulatory solutions proposed by the task force would resolve the problems identified. At a time when the Canadian trucking industry is having difficulty competing, the imposition of another layer of regulatory controls will not provide any benefit to the industry or its customers.

MOTOR CARRIER LICENSING DEVELOPMENTS

The Motor Vehicle Transport Act, 1987, required that the "reverse onus" provision expire on December 31, 1992. Before expiration, the Minister undertook a review of the provisions in relation to which the APTC submitted comments. The APTC position on the elimination of the reverse onus provision was as follows:

The "reverse onus" provisions of the Motor Vehicle Transport Act, 1987 (MVTA), should be permitted to expire as scheduled on December 31, 1992. The general absence of opposition to applications for extra-provincial trucking authority under the MVTA, 1987, is evidence that reverse onus provisions are no longer serving any practical purpose. The implementation of uniform fitness criteria in all jurisdictions must coincide with the expiration of the "reverse onus" provisions on December 31, 1992. Such fitness criteria should include only those factors that relate to safety, both mechanical and operational, and adequate insurance, both public liability and cargo coverage. Economic factors, which might serve to control market entry should not be included in fitness criteria.

The Minister did not exercise the option to extend the expiration of the reverse onus beyond December 31, 1992.

With the removal of the "reverse onus" provision, the matter of uniform fitness criteria remains unsolved. The APTC reviewed the proposed *Application Form for Safety Fitness Rating* and *Annual Status Report* prepared by the CCMTA Task Force on Safety Fitness and considered the proposed fitness tests as inadequate to ensure operators understand and adhere to Canada's highway safety and fitness requirements. The fitness criteria was approved by the CCMTA and implemented on January 1, 1993. It affects new motor carriers applying for new operating authorities.

Since the implementation of the Motor Vehicle Transport Act, 1987, the granting of extra-provincial licenses has largely been in accordance with the intended ease of entry provision of the Act. Administrative procedures have been made within each of the four Atlantic Provinces to bring the provincial acts in line with the MVTA.

Since 1989, Prince Edward Island has been granting intra and extra-provincial motor carrier licenses based on fitness and safety. During the past year, motor carrier operating fees remained in effect although they have not increased for approximately six years. The fees are based on configuration and permits.

Effective January 1, 1993, Nova Scotia amended its Motor Carrier Act and Regulations to permit the issuing of motor carrier licenses for extra and intra-provincial service, based on the fitness of the applicant to hold a license. The fitness requirement, as in other Atlantic Provinces, includes driver qualification, vehicle safety standards and insurance. The applicant no longer has to prove there is a requirement for the service. Nova Scotia has implemented a \$10 administration fee per vehicle and eliminated motor carrier plates and fees. The administration fee will remain in place for the 1993 year.

In New Brunswick, the "reverse onus" provisions expired on January 1, 1993. All existing extra-provincial motor carrier licenses are now general freight licenses without restrictions. This would authorize the licensee to transport all freight of every description from any point in New Brunswick to all borders for furtherance to other jurisdictions. Intra-provincial motor carrier licenses remained unchanged and will continue to be in effect until legislation is passed to amend or repeal the New Brunswick Motor Carrier Act. Licensed motor carriers were required to purchase motor carrier plates for each vehicle to the expiration of the licensing year, May 15, 1993. Motor carrier plates will not be issued for the period of May 15, 1993, to May 15, 1994.

In February, 1993, the Newfoundland and Labrador Board of Commissioners of Public Utilities Board eliminated its "reverse onus" policy. Extra-provincial licenses are being issued for the transportation of freight of all kinds and description from any point in the province to the border and beyond as authorized. Presently, intra-provincial movements are restricted by location and commodity. Intra-provincial transportation of the following commodities, temperature controlled goods, heavy machinery and equipment, vehicles, containers and bulk materials, are not considered to be general freight. There are no motor carrier operating fees for the province.

TRANS BORDER AIR SERVICES LIBERALIZATION

As reported in the 1991-92 *Transportation Review and Annual Report*, negotiations between Canada and the United States to establish a new bilateral air transport agreement continued throughout 1992. Seven rounds of negotiations took place; however, no agreement was reached. The talks recessed after the twelfth round in December, 1992, and were not expected to resume until after the new United States administration had the opportunity to assess their position.

A number of fundamental issues remained to be resolved when the talks recessed. These included the phase-in period for scheduled services at the three largest Canadian airports (Montreal, Toronto and Vancouver); airport access at key United States airports; a dispute resolution mechanism; and overnight cargo services at the three major Canadian airports. Negotiations are expected to resume in the spring or early summer of 1993.

REGIONAL AIR CARGO SERVICES

Air cargo service has been subject to several changes in recent years. Many of the changes are a result of the reduction of service by the national airlines in favour of service by their affiliated regional carriers using more efficient, but smaller, turbo-prop aircraft. This has resulted in:

- *most regional airports being served with aircraft of limited cargo carrying capacity;*
- *regional carriers that do not directly provide air cargo service to the public (i.e., service is under contract with the affiliated national airline); and,*
- *national carriers having reduced, or are in the process of reducing, cargo capacity with the elimination of dedicated cargo aircraft in favour of combined passenger and freight aircraft or belly space on passenger aircraft.*

The future promises further changes in air service in the Atlantic Provinces. These changes, still unknown, will be caused by a number of factors including:

- *realignment of ownership and operating agreements between national carriers due to the deep financial problems facing them, as well as national carriers forming alliances with international carriers in an effort to compete effectively in the global market; and,*
- *proposed new bilateral air agreement between Canada and the United States.*

A regional conference, sponsored by the APTC, entitled *Atlantic Region Transportation -*

Future Direction, was held in Halifax, NS, October 28-29, 1992, (see page 43 of this review). This conference brought many concerns to light regarding the level of air cargo service in the Atlantic Region. Beyond the problems outlined above, concerns were raised regarding:

- *United States volumes are increasing significantly at the expense of the Canadian market share largely due to rates that are significantly lower than Canadian rates;*
- *insufficient cargo capacity to meet peak demands; and,*
- *government regulations are interfering with flexible chartering by preventing multi-party charters or shipper consolidation.*

In December, 1992, the APTC began a detailed investigation into the air cargo service issue by distributing an air cargo survey to over 700 firms in the Atlantic Provinces. Close to 19% of the surveys were returned providing the Commission with information on a number of issues and problems facing air cargo users in this region. The survey sought shipper input on such issues as service availability, quality of service, volumes shipped, airports used, and origins/destinations of shipments.

At the time of writing, an analysis of the survey responses and accompanying commentary was continuing. A report is expected to be released by June outlining the issues affecting Atlantic Provinces air cargo shippers and continuing recommendations aimed at improving the regions access to adequate air cargo service.

FEED FREIGHT ASSISTANCE

During 1992, the Livestock Feed Bureau (LFB) undertook a review of the regulations pertaining to the Feed Freight Assistance program. During the review process, the LFB received input from interested groups, including the feed industry, livestock producers and provincial governments.

The LFB proposed comprehensive adjustments to the program, with the aim of ensuring that only eligible recipients receive the program benefits and that claims are made only for eligible products. The proposed changes were reviewed at the July meeting of federal and provincial Ministers of Agriculture. The program adjustments, along with new FFA rates, were approved by the federal government and became effective January 1, 1993.

The adjustments in the levels of assistance were made in order to:

- (a) re-establish equity within the regions of Eastern Canada, British Columbia, Yukon and Northwest Territories, according to current costs and 1990-91 crop year tonnages;
- (b) change from county rates to individual destination rates;
- (c) to change rate categories from eastern produced grains and western produced grains to cereal grains and corn;
- (d) to establish zones for Newfoundland and raise the cap from \$50/tonne to \$60/tonne to accommodate the new mileage based rates; and,

- (e) to pay claims from livestock producers for net grain purchases.

The rate adjustments were expected to result in an overall increase in expenditures under the program of approximately \$1.5 million (\$960,000 in the Atlantic Provinces) while remaining within the overall budget limit of \$18.1 million.

As a result of the December, 1992, economic statement of the federal Minister of Finance, the Feed Freight Assistance program (along with most other government assistance programs, including the Western Grain Transportation Act and the Atlantic Region Freight Assistance program) will be reduced by 10% for two years.

In response to the changes in the FFA program announced in the economic statement, which resulted in an across-the-board reduction of 10% in the FFA rate tables, the Atlantic Farmers Council proposed a more equitable formula designed to achieve the required 10% reduction in payments by the federal government. The Atlantic Farmers Council proposal would have maintained the original principle of the program of fair equalization of costs of feed for all farmers. Unfortunately, agreement of all the provinces and the federal government was not achieved. The 10% across-the-board reduction as outlined in the economic statement became effective April 1, 1993.

GREAT LAKES/ST. LAWRENCE SEAWAY REPORTS

On December 10, 1992, the House of Commons Standing Committee on Transport tabled a report on the *Future of the Great Lakes St. Lawrence Seaway System*.

The report pointed out that the viability and competitiveness of the Seaway is dependent upon export grain and iron ore traffic. However, declining traffic volumes in both of these commodities are threatening the future viability of the Seaway. Changing global markets are one major factor influencing traffic volumes. Another is the distortions and disincentives created by the Western Grain Transportation Act (WGTA).

The major recommendation of the report is that the application of the WGTA be extended as a transitional measure to include Seaway export grain shipments. This transitional subsidy would apply until the perceived distortions and disincentives in the WGTA are addressed. These include the issue of the mountain differential, distortions favouring long hauls over short hauls and port parity.

The report also recommended a freeze on pilotage fees and Seaway tolls for the next three years and that the federal government make a commitment to provide all capital funding neces-

sary to ensure that the Seaway continues to be a safe, efficient and reliable facility.

In addition to the report of the Standing Committee on Transport, the conference of federal and provincial Agriculture Ministers, as part of the ongoing Agri-Food Policy Review process, directed the Minister of State for Transport to form a "Round Table" to explore the factors influencing the current state of the Seaway system as it pertains to grain transportation policy. The final report of the Round Table was released in November, 1992.

The Round Table reached a number of general conclusions, including:

- *The current WGTA creates distortions in price signals (through the method of payment and the rail rate structure) that disadvantages the Seaway.*

- *The current WGTA leaves the Seaway as a residual route and creates pressure to expand west coast capacity.*
- *Excess capacity exists in the Seaway and it can be maintained at a relatively low cost.*
- *The Seaway will continue to be the most cost-effective route for some markets if distortions are removed.*
- *Without increased grain shipments, Seaway fleet capacity will continue to contract.*
- *WGTA changes would not solve short term problems; therefore, there is a need for interim action to create stable demand and encourage retention of capacity.*

Both of these reports provide input to the WGTA review process.

FREIGHT AUDIT SERVICE PRIVATIZATION

The Freight Audit Service (FAS) is an agency which operates as a division of the Atlantic Provinces Transportation Commission. Formed in 1976, FAS assists shippers in the Maritime Provinces in controlling transportation costs through freight bill audits. In specific terms, the FAS strives to achieve the following objectives:

- *to ensure that its clients pay the correct and lowest possible freight charges; and,*
- *to search for opportunities and make recommendations designed to reduce freight costs or improve carrier services.*

With the implementation of deregulation of freight rates during the past five years, the former approach of auditing freight accounts after payment (i.e., post-audits) has largely given way to pre-audits and the provision of detailed freight management reports to assist clients control their transportation costs more effectively. This function is supported by a sophisticated computerized auditing system.

During the past year, the future need for the FAS was reviewed by the APTC Directors and it was concluded that the agency continues to

provide a useful and important service to regional shippers. FAS is the only agency of its kind based in the Atlantic Region with the expertise to assist shippers control their freight costs through freight bill audits.

As a result of the growth experienced by FAS over the past few years, the level of the government grants in relation to total revenue has gradually diminished to the point where it is felt that FAS can now operate successfully without outside financial assistance. It has, therefore, been decided by the APTC Board of Directors, with the approval of the Maritime Provinces' Ministers of Transportation, that proposals should be considered for the privatization of FAS. The objective of privatization, if it proceeds, will be to have FAS continue to provide services on a commercially viable basis while maintaining a Maritime base of operations.

At the conclusion of the year, the APTC had completed a public call for proposals to operate FAS as a private commercial venture. The evaluation process was due to commence early in the next fiscal year.

SERVICE TO INDUSTRY

The primary objective of the APTC is to provide assistance and guidance on transportation matters to business and industry in the Atlantic Provinces, in order that they may compete in markets of Canada and throughout the world. To this end, the APTC provides a wide range of assistance on matters such as rates and services information, expertise on rate negotiations, information on carrier's liability, freight assistance programs, regulatory requirements, rail abandonments and private truck costing analysis, to name but a few. Much of the work done is very specific and confidential in nature; accordingly, it is not possible to provide detailed coverage in this report.

The preparation of extensive tabulations of freight rates for particular industry groups was undertaken at regular intervals, as in previous years. Rate statements were distributed to the potato industry on shipments of potatoes from New Brunswick and Prince Edward Island to Ontario and Quebec. The feed industry was provided with a similar statement covering inbound feed and feed ingredients from central and western Canada. Statements were also prepared for the fertilizer industry and the peat moss industry.

A number of inquiries were received, as in previous years, from both shippers and carriers on topics such as transport of dangerous goods, carrier's liability, settlement of loss and damage claims, as well as terms and conditions of carriage. While the APTC is not an arbitrator in these matters, information provided is based on past experience and knowledge, along with technical articles and material available in the APTC library.

Numerous inquiries were received relating to the Atlantic Region Freight Assistance program from both shippers and carriers. A number of shippers were assisted by the APTC in their application for commodity eligibility of their product under the selective westbound assistance, which is subsequently processed by the Federal/Provincial Committee on Atlantic Region Transportation.

Various government departments and regional industrial commissions requested information in the past year. Inquiries ranged from transportation costs and plant location analysis to the application of specific government policies and regulations.

A number of post-secondary students attending regional educational institutions were provided with transportation-related information through guidance and technical material from the APTC library.

A significant number of regional companies contacted the APTC for guidance on potential or actual shipments to overseas markets. A number of ocean and air rate quotations were secured by the APTC on behalf of these potential or actual exporters covering a variety of different commodities and destinations.

The APTC responded to a number of inquiries from firms in each of the four Atlantic Provinces seeking to expand their markets in Canada and North America. Information on transportation routings, services and costs was provided and, in a number of cases, rate quotations were obtained and evaluated and shippers were provided with appropriate carrier contacts.

APTC REGIONAL CONFERENCE

The APTC sponsored a regional conference, entitled *Atlantic Region Transportation - Future Direction*, held in Halifax, NS, October 28 and 29, 1992. Under the main theme, *Towards an Integrated Regional Transportation System*, the conference addressed:

- Current and Future Needs of Atlantic Region Shippers

- Infrastructure and Investment
- Regional and Federal/Provincial Cooperation and Coordination
- Intermodal Integration
- Access to World Markets

The conference focused on the development of a strategic policy framework that facilitates the needs of the Atlantic Provinces and

enhances the ability of its shippers to respond to trading opportunities in the face of liberalization of international trade and intensified global competition.

The conference stemmed from an APTC discussion paper, entitled *Atlantic Region Freight Transportation Issues*, which was released in January, 1992 (see *1991-92 Transportation Review and Annual Report*, page 24). The paper urged the governments of the Atlantic Provinces to undertake the development and implementation of an Atlantic Region freight transportation policy.

A total of 162 representatives of government, carriers, shippers, associations, ports and others attended the conference.

The conference included a dinner with keynote speaker, the Honourable Jean Corbeil, Federal Minister of Transport. A luncheon was also held with the Honourable Ken Streatch, Nova Scotia Minister of Transportation, as speaker. The conference agenda included a shipper/carrier panel

session and five workshops each focusing on a sub-theme of future transportation in the Atlantic Provinces. Dr. Frank Wilson, Vice-President Research and International Cooperation, University of New Brunswick, Fredericton, NB, was the Conference Chairman and Panel Moderator.

The panel session included shipper and carrier representatives. On the shipper panel, a bulk shipper, a forest products producer and a perishable goods shipper were represented. The rail, motor carrier, air and marine modes were represented on the carrier panel.

As a follow-up to the conference, detailed proceedings were distributed to all conference participants and summaries of the panel presentations and the workshop results were published in the APTC newsletter "Tips & Topics".

A major issue to evolve from the conference was the need for improved air cargo service in the Atlantic Region. This topic is covered under *Regional Air Cargo Services* on page 40.

MEETINGS AND CONFERENCES

In addition to being a member and participating in regular meetings of the Transportation Committees of several regional trade organizations, the following summarizes the APTC's par-

ticipation in meetings and conferences during the past year where an address, prepared report, or a specific leadership role was involved:

Table 10

Date	Conference/Meeting/Organization	Nature of Participation
1992		
April 9	Partnerships '92 Conference	Panelist
April 28	PEI Agriculture Industry Transportation Meeting	Co-Chairman
May 7	NB Department of Commerce and Technology	Report
May 21	Atlantic Provinces Chamber of Commerce Annual Meeting	Report
May 29	Canadian Feed Industry Assoc./Atlantic Division Annual Meeting	Report
June 4	NB Peat Moss Producers Association	Report
June 4/5	Maritime Lumber Bureau Annual Meeting	Report
June 15	Senate Transport Committee (Coasting Trade)	Submission
August 13	NTA Review Commission	Submission
September 25	Transportation Club of Moncton	Address
December 11	Railway Abandonment (General Meeting)	Organizer/Address
1993		
January 21	Transportation Club of Halifax/Dartmouth	Address
January 22	NB Potato Shippers Association Annual Meeting	Report
January 26	New Exporters to Border States Workshop	Panelist
February 16	Fundy Region Development Commission	Address
March 4	Halifax Shipping Association	Address

OTHER ACTIVITIES

With the reduction in visibility of actual rates charged by carriers, the APTC, in responding to shippers' inquiries, places more emphasis on the economics and costs of providing transportation services, combined with the knowledge of the market and well placed requests for carrier rate quotations. Available published tariffs of carriers continued to decline in 1992-1993, reducing the number of *Rate Advice* notices issued by the APTC. In 1992-1993, the APTC issued 471 *Rate Advices* as compared to 1,367 in the previous year.

The APTC's monthly newsletter of current transportation events and issues, "*Tips & Topics*", continued to be published, with an average circulation of 2,026 copies.

Two circular letters addressing a particular issue were directed to a specific industry group during the year under review.

The Commission maintains a close association with a number of organizations both within and outside the Atlantic Region. Liaison is maintained with the Atlantic Divisions of the Canadian Manufacturers' Association, the New Brunswick Potato Shippers' Association, the New Brunswick Peat Moss Association and the Prince Edward Island Potato Board. The APTC is also a member of the Transportation Committees of the Annapolis Valley Affiliated Boards of Trade; Halifax Board of Trade; Canadian Feed Industry Association (Atlantic Division); Maritime Lumber Bureau; Nova Scotia Forest Products Association; the Saint John Board of Trade; and the Transportation Sector of the Voluntary Planning Group of Nova Scotia.

Memberships are maintained in such organizations as the Atlantic Provinces Chamber of Commerce; Canadian Port Development Forum; Canadian Shippers' Council; Canadian Transportation Research Forum; Greater Moncton Chamber of Commerce; and the Transportation Club of

Moncton. The General Manager is a member of the Canadian Chamber of Commerce Transportation Committee, the Maritime Regional Advisory Council (on port matters), the Freight and Passenger Transportation Committee of the Transportation Association of Canada, as well as being a Director and Vice-Chairman of the Canadian Shippers' Council.

Membership in these various organizations has enabled the APTC to maintain a strong presence and provide knowledgeable assistance to the business community.

The Commission continued to offer assistance to Atlantic Canadian companies dealing with the federal government. Included in these issues were the reduction in the MFRA/ARFAA subsidy programs, the coasting trade legislation (Bill C-33), the federal regulatory review, the proposed sale of the Sydney-Truro rail line, the need for an essential rail network, and the Prince Edward Island fixed link.

The APTC conducted an extensive survey of past, present and potential users of the Canadian Atlantic Railway "Nackawic Loop" branch line, on behalf of the New Brunswick government to assist the Department of Transportation in their intervention of the proposed abandonment.

A second survey was conducted by the APTC to identify the impact on shippers should the proposed CAR abandonment of their main line east of Sherbrooke, PQ, be approved. This survey was done on behalf of the New Brunswick government, the City of Saint John and the Port of Saint John. A number of meetings were conducted regarding this proposed abandonment to which APTC staff members were asked to make presentations.

The Commission published the first update to its sixth edition of the *Atlantic Provinces Transportation Directory*.

COMMISSION DIRECTORS

During the past year there were a number of changes in the membership of the APTC Board of Directors. At year end, there were two vacancies remaining to be filled - one by the Government of New Brunswick and one by the Atlantic Provinces Chamber of Commerce (APCC). A complete list of Directors at year end is shown on page 8. Changes during the past year are highlighted below.

Mr. Fred Beairsto of Fredericton, NB, completed his term of office in June, 1992. Mr. Beairsto served on the Board for seven years, having been appointed by the APCC in 1985. He was replaced by **Mr. Don Roberts**, General Manager, Potash Company of America, Sussex, NB.

Mr. Brian Wentzell resigned as Past-Chairman and Director effective in June, 1992. Mr. Wentzell, who was appointed to the Board as a Newfoundland representative by the APCC in June, 1984, served on the Executive Committee commencing in 1985 and as Chairman from 1988 to 1991. He was replaced by **Mr. Reid Shepherd** of Labrador Consultants, Goose Bay, NF. As Mr. Shepherd subsequently moved his business to

Moncton, NB, he was no longer in a position to maintain his role as a "Newfoundland Director" and resigned in October, 1992.

Mr. Ken MacKenzie, Director of Transportation Policy for the Province of Prince Edward Island, served as a Director since October, 1968, and as a member of the Executive Committee since 1972, an overall period of 24 years. Mr. MacKenzie's appointment expired with his retirement from the public service of Prince Edward Island in September, 1992, after a distinguished career of 45 years. He was replaced by the appointment of **Mr. Michael Bailey**, Director of Policy and Planning, Prince Edward Island Department of Transportation and Public Works.

Mr. David Kenny of Bathurst, NB, who was appointed by the New Brunswick Minister of Transportation in October, 1989, resigned in December, 1992. This vacancy remained to be filled at the conclusion of the year.

Sincere thanks and appreciation are extended to the former Directors for their contribution to the work of the APTC.

STAFF CHANGES

On May 29, 1992, Brian Botten resigned from the position of Research Analyst to pursue other career goals. Mr. Botten joined the organi-

zation in March of 1988 in the capacity of Tariff Clerk. There were no other staff changes during the past year.

ACKNOWLEDGMENTS

The Chairman, Directors and General Manager express to the governments of the four Atlantic Provinces sincere thanks for both the financial support received and the personal cooperation and assistance rendered to the APTC by their appointees to the Board of Directors. Without this financial support and the participation of the governments and their officials in the APTC's work, the benefits of the Commission to the industrial and business community would not be possible.

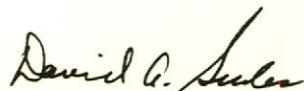
The support of the Atlantic Provinces Chamber of Commerce, in the form of appointments to our Board of Directors, is an important part of the Commission's structure. Through these appointments, together with the participation of the APCC President on our Board, the business community is well represented and this is gratefully acknowledged.

Also, the APTC's work would not be successful without the cooperation of the carriers serving the region. This cooperation is mutually beneficial and the thanks of the Directors and staff go to the carriers and their agencies.

The success of the APTC's work during the year is due, in no small measure, to the direction and support given by the Board of Directors. These Directors serve without remuneration and represent a broad range of economic interest and a wide geographic representation from throughout the four Atlantic Provinces. The Chairman and General Manager express their thanks to this dedicated advisory group.

Finally, without a loyal and dedicated staff, the APTC's work would not achieve for business and industry the success that it does. The APTC is indeed fortunate to have such a staff. To them, the Chairman and General Manager extend sincere thanks for discharging their duties in a conscientious and efficient manner.

All of which is respectfully submitted.



David A. Scales
Chairman



Ramsay M. S. Armitage
General Manager

APTC HISTORICAL NOTES

ORGANIZATIONAL NAME	YEARS
Atlantic Provinces Transportation Commission	1969 -
Maritimes Transportation Commission	1951 - 69
Transportation Commission of the Maritime Board of Trade	1928 - 51•
Maritime Freight Rates Committee	1925 - 28

APTC CHAIRMEN

David A. Scales	1991 -
Brian K. Wentzell	1988 - 91
George Key	1985 - 88
E. S. Bailey	1983 - 85
Elwood S. Dillman	1980 - 83
George D. Wright	1978 - 80
Glendon F. Eddy	1976 - 78
Norman H. Smith*	1974 - 76
David G. Burchell	1971 - 74
J. M. Crosby*	1963 - 71
A. Murray MacKay*	1954 - 63
L. W. Simms*	1950 - 54
D. R. Turnbull*	1945 - 50
J. D. MacKenna*	1940 - 45
D. R. Turnbull*	1938 - 40
J. D. MacKenna*	1936 - 38
D. R. Turnbull*	1934 - 36
A. P. Paterson*	1925 - 30•

APTC MANAGERS

Ramsay M. S. Armitage	1988 -
Craig S. Dickson	1960 - 88
Howard A. Mann	1955 - 60
Rand H. Matheson	1934 - 55
Frederick C. Cornell*	1925 - 30•

* Deceased

• Following the beginning of the Depression in 1929, the operation of the Commission under a full time Manager ceased from June 30, 1930, to August 1, 1934.



