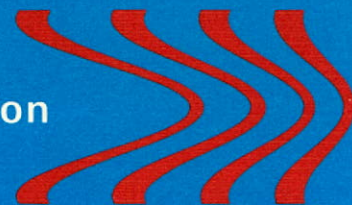


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TRANSPORTATION
REVIEW
AND
ANNUAL REPORT

. . . 64th Year of Service



TRANSPORTATION REVIEW

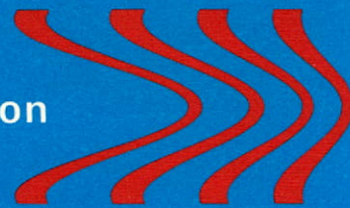
AND

ANNUAL REPORT FOR THE

YEAR ENDED MARCH 31, 1989

The Atlantic Provinces Transportation Commission has offices at Suite 210, 236 St. George Street 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 David Gilbert
Minister of Works, Services & Transportation
Province of Newfoundland and Labrador
St. John's, NF*

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

*The Honourable Robert Morrissey
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, 1988, to March 31, 1989. 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 1988-89.

Many industries throughout the Atlantic Region have benefited again this year from the Commission's activities. 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.

*Brian K. Wentzell
Chairman*

LETTER FROM THE GENERAL MANAGER

For the APTC, this past year was one of adjusting to the new regulatory environment governing transportation. Less regulation of all modes of transport and greater reliance on competition and market forces, which is the main thrust of regulatory reform in Canada, brings with it adjustments for shippers and carriers alike. The most difficult adjustment for the APTC in fulfilling its role of assisting shippers minimize their transportation costs is the disappearance of meaningful tariffs to accurately measure and evaluate transportation options. To address this new direction, the APTC is placing greater emphasis on the economics of transportation and building on its expertise in the area of transportation costs.

The role given to the APTC by the National Transportation Agency of monitoring the impact of the new transportation legislation on the Atlantic Provinces has been a great help in keeping abreast of new directions and transportation management techniques. The results of the NTA monitoring project is mentioned more fully elsewhere in this report and is repeated here only to illustrate that this facilitates the ability of the APTC to maintain a close working knowledge of developments and trends of shippers' utilization of transportation service options. This enhances the ability of the APTC to fulfil its advisory role to shippers throughout the Atlantic Provinces.

A very important part of the advisory role of the APTC continues to be the publication and distribution of information on transportation. This "Transportation Review and Annual Report" is one means by which transportation changes and developments of interest to this Region are recorded to provide an ongoing reference. The "Atlantic Provinces Transportation Directory 1988-91" issued by the APTC on a tri-annual basis was completely updated with circulation commencing in April, 1988. The "Directory of Ocean Shipping Services Between the Ports of Saint John-Halifax and World Ports" was completely updated and reissued in November, 1988. This latter publication is one that is financially supported by the Ports of Halifax and Saint John. In addition, as many readers will be aware, the monthly news bulletin, "Tips & Topics", continues to be a useful and effective way of keeping both business and governments informed of a variety of transportation matters.

Of all the matters that are addressed in this report, the rumours of possible reductions or even elimination of the Atlantic Region Freight Assistance program which came to light in early March, 1989, as part of the federal budgetary process is of greatest concern. The Maritime Freight Rates Act and the Atlantic Region Freight Assistance Act, under which shippers are accorded reduced freight rates, are essential to the ability of manufacturers and producers in the Atlantic Region to maintain a competitive position in the Canadian marketplace. As the year drew to a close, the APTC, with the support of the Atlantic Premiers, a special "Industry Committee - Atlantic Region Subsidies", and numerous shippers and trade organizations, was taking every possible step to prevent loss or curtailment of this essential program. This is discussed more fully under the heading "Atlantic Region Freight Assistance" commencing on page 29 of this report.

During the latter part of the past year, with the assistance of a grant from ACOA, the APTC was in the process of upgrading and improving its word processing and computer capabilities. This includes facilities to permit "desktop publishing" and this report is the first example of this by the APTC. The size and format of the annual report has been dramatically changed and it is hoped that it will be seen by its readers as an improvement. As we enter into a new year, we plan to make greater utilization of computers in fulfillment of our role of assisting business and industry, as well as government departments, with information and advice on transportation.



Ramsay M. S. Armitage
General Manager

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APTC DIRECTORS AS AT MARCH 31, 1989

NOVA SCOTIA

Government

D. J. MacDougall

Halifax, NS

I. Parker

Truro, NS

(One Vacant Appointment)

Atlantic Provinces Chamber of Commerce

E. R. Dalton

Port Williams, NS

J. H. MacDonnell

Port Hawkesbury, NS

C. A. Meisner

Liverpool, NS

NEW BRUNSWICK

Government

F. H. Hatfield

Hartland, NB

D. L. Johnson

Fredericton, NB

M. D. Street

Belledune, NB

Atlantic Provinces Chamber of Commerce

F. Beairsto

Fredericton, NB

G. Carter

Sussex, NB

W. F. English

Montreal, PQ

PRINCE EDWARD ISLAND

Government

K. A. MacKenzie

Charlottetown, PE

D. A. Scales

Charlottetown, PE

Atlantic Provinces Chamber of Commerce

N. Clarey

Montague, PE

G. Key

Summerside, PE

NEWFOUNDLAND AND LABRADOR

Government

W. T. Beckett

St. John's, NF

E. Hearn

Labrador City, NF

Atlantic Provinces Chamber of Commerce

B. K. Wentzell

Corner Brook, NF

W. E. Doyle

St. John's, NF

ALSO

President, Atlantic Provinces Chamber of Commerce

STAFF

Ramsay M. S. Armitage, General Manager

Lorne M. Mitton, Manager, Administration & Special Projects

Peter A. Vuillemot, Transportation & Distribution Officer

Dale V. Ronalds, Senior Traffic Analyst

Jack A. MacQuarrie, Traffic Analyst

Charles D. Mollins, Computer Development Officer

Sheldon B. Steeves, Administration & Accounting Officer

Debbie E. Matchett, Assistant Traffic Analyst

Mona E. Savoie, Assistant Traffic Analyst

Brian A. Botten, Tariff Clerk

Cathy E. Peters, Staff Secretary

Debbie L. MacLellan, Assistant Staff Secretary

1988 - 1989 EXECUTIVE COMMITTEE



BRIAN K. WENTZELL

Chairman

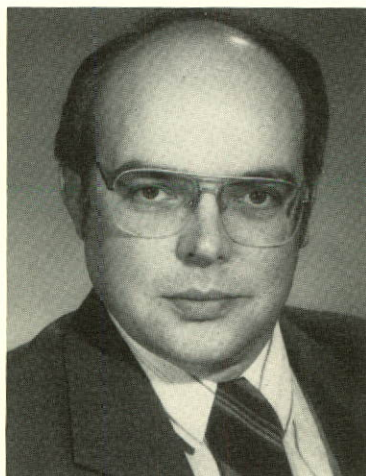
Poole, Althouse, Clarke, Thompson & Thomas
Corner Brook, NF



FRED H. HATFIELD

Vice-Chairman

Hartland, NB



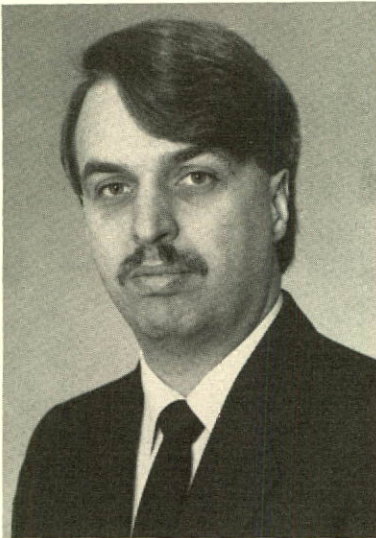
W. TOM BECKETT

Director of Transportation Policy

Development & Planning

Province of Newfoundland and Labrador

St. John's, NF

1988 - 1989 EXECUTIVE COMMITTEE**DOUGLAS L. JOHNSON**

Transportation Policy Officer
Province of New Brunswick
Fredericton, NB

**DON J. MacDOUGALL**

Director, Transportation Policy
Province of Nova Scotia
Halifax, NS

**KEN A. MacKENZIE**

Director, Transportation Division
Province of Prince Edward Island
Charlottetown, PE

1988 - 1989 EXECUTIVE COMMITTEE



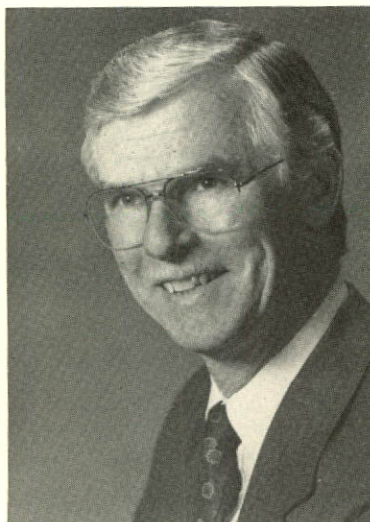
C. ARNOLD MEISNER

Manager
Eacan Timber Ltd.
Liverpool, NS



DAVID A. SCALES

President
Island Fertilizers Ltd.
Charlottetown, PE



RAMSAY M. S. ARMITAGE

General Manager
Moncton, NB

COMMISSION STAFF



Left to Right: seated - Lorne Mitton, Ramsay Armitage, Peter Vuillemot; standing - Mona Savoie, Debbie MacLellan, Charles Mollins, Jack MacQuarrie, Sheldon Steeves, Brian Botten, Dale Ronalds, Cathy Peters, Debbie Matchett

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 236 St. George Street (Suite 210), 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

In 1988-89 Canada completed its first year under the less economically regulated environment of the National Transportation Act, 1987, and the Motor Vehicle Transport Act, 1987. These Acts placed increased emphasis on competition and market forces as the determining factors in the provision of transport services in Canada.

The most successful feature of the new legislation, from both the shipper's and the carrier's point of view, has been the provision allowing confidential contracts. Other features, such as competitive line rates and interswitching, have only limited application in the Atlantic Provinces and, therefore, have not had the same impact on this region. Motor carrier regulatory reform resulted in much confusion and uncertainty with the problems only beginning to be resolved in the last few months of the year. A number of other issues, such as hours of work regulations under the National Safety Code and implementation of RTAC weights and dimensions recommendations, remained to be resolved as the year ended. Other major issues which affected transportation in the Atlantic Provinces during the year included railway abandonments, highway needs and funding, federal sales tax reform, railway liability, the Atlantic Region Freight Assistance program, and coasting trade legislation. These and other transportation developments and statistical data are presented in the pages that follow.

Rail

Rail carloadings for the nation increased in 1988 as shown in the table below (figures for the Atlantic Provinces are not available):

RAILWAY CARLOADINGS (Tonnes X'000)			
	1988	1987	% Change
Carload Traffic Loaded	258,344	249,320	3.6
Non-Carload Traffic Loaded	32.8	29.0	-13.0
Source: Statistics Canada Railway Carloadings December, 1988, Catalogue 52-001			

Financial results of Canadian National Railways and Canadian Pacific Limited, as taken from the companies' annual reports, for transportation related services are as follows:

CANADIAN NATIONAL RAILWAYS (In Millions \$)

	1988	1987
System Net Profit	282.7	120.6
Income From Divisions Before Taxes:		
CN Rail	220.7	111.4
TerraTransport	-29.3	-41.3

CANADIAN PACIFIC LIMITED (In Millions \$)

	1988	1987
System Profit	820.1	826.3
Net Income - Transportation	*246.8	227.4
Income From Divisions Before Taxes:		
CP Rail	181.2	193.6
CP Ships	50.4	43.0
CP Trucks	-1.0	-3.5

* Includes waste services

Payments received to December 31, 1988, by both major railways under terms of the National Transportation Act, in respect of the maintenance of uneconomic branch lines which are required to be maintained in the public interest are outlined below:

SUBSIDIES PAID TO CANADIAN NATIONAL RAILWAYS AND CANADIAN PACIFIC LIMITED UNDER TERMS OF THE NATIONAL TRANSPORTATION ACT IN RESPECT OF YEAR 1987 (Payments to December 31, 1988) (In Millions \$)

	Canadian National Claimed Paid		Canadian Pacific Claimed Paid	
Sections 256 and 258 of the Railway Act				
In respect of uneconomic branch lines	17.00	14.50	4.39	3.95

Source: National Transportation Agency, Annual Report, 1988

A breakdown of the subsidies paid for uneconomic branch lines on a regional basis is shown on the following page:

**PAYMENTS TO CANADIAN NATIONAL RAILWAYS
AND CANADIAN PACIFIC LIMITED UNDER TERMS
OF THE
NATIONAL TRANSPORTATION ACT IN RESPECT OF
YEAR 1987
(Payments to December 31, 1988)
(In Millions \$)**

	<u>Atlantic Provinces</u>	<u>Central Canada</u>	<u>Western Canada</u>
Canadian National Railways			
Section 256 (unprotected branch lines)	3.21	4.79	.92
Section 258 (protected branch lines)	Nil	Nil	5.56
Canadian Pacific Limited			
Section 256 (unprotected branch lines)	.01	1.81	.72
Section 258 (protected branch lines)	Nil	Nil	1.41
Totals	3.22	6.60	#8.62

Under the Western Grain Transportation Act, provision is made for the designation by the CTC of uneconomic rail lines in Western Canada as "grain dependent lines" and, upon the designation of any such lines, compensation to the railways is provided under the Western Grain Transportation Act rather than under Section 258 of the Railway Act. The designation of "grain dependent lines" has resulted in a significant reduction in subsidy payments under the Railway Act. At the same time, total payments under the Western Grain Transportation Act decreased in 1988 to \$777 million from approximately \$942 million the previous year.

Source: National Transportation Agency, Annual Report, 1988

Railway operations ceased in Newfoundland effective September 1, 1988, as a result of a federal/provincial agreement whereby the province will receive \$800.6 million in federal funding over a 15-year period. This item is covered in more detail in a separate section of this report entitled "Newfoundland Transportation Initiative".

CP Rail announced the creation of a new business unit to administer the railway's operations and marketing activities in Atlantic Canada on September 1, 1988. The Canadian Atlantic Railway (CAR) consists of all CP Rail lines and facilities in New Brunswick, Nova Scotia and the State of Maine, with headquarters in Saint John, NB. CAR adheres to all CP Rail standards covering safety, train operations, regulatory reporting requirements and VIA Rail operations. CAR is an

extension of the 1987 reorganization of CP Rail, with a mandate to focus on the transportation needs of Atlantic Canada, to sustain a competitive railway presence wherever there are lines that can be viable, and to promote new rail based alternative transportation options for feeder lines that are not viable.

Efforts continued by a number of groups, representing the interests of the Port of Halifax and shipping lines, to encourage CN Rail to implement double-stack container service from the Port of Halifax in 1989. In the past, CN has said that double-stack service would not be feasible because traffic volumes were not sufficient, the technical and logistical changes required were too costly and the east coast container loads were too heavy for conventional double-stack rail cars. However, following the release of a study entitled, "Port of Halifax Double-Stack Train Feasibility Study", and following further discussions with port representatives and users, CN is assessing the increased traffic volumes and the development of double-stack rail cars capable of handling more weight that would be required to make limited double-stack container service from Halifax viable. CN commenced double-stack container service from Vancouver to Toronto in March, 1989.

In July, 1988, a federal labour arbitrator ruled that Canada's two railways could begin operating freight trains without cabooses. However, the arbitrator also attached a number of conditions which made it unlikely that the railways would be able to begin cabooseless train operations in the near future. These conditions included: the provision of amenities; a no lay-off clause in collective agreements; provision for unions to file grievances over the removal of cabooses from individual trains; and that the workers must share in any savings achieved by the railways as a result of the elimination of cabooses. The railways appealed to the Federal Court of Appeal to have the conditions struck down. The Court's decision, released in March of 1989, reversed the arbitrator's ruling, saying it invaded the jurisdiction of the National Transportation Agency.

During March of 1989, the Minister of Transportation requested that the National Transportation Agency (NTA) conduct an inquiry into the pricing policy of VIA Rail Canada Inc. and its impact on the competition for ridership between modes. The NTA is to consider the policy and practices of VIA in establishing fares and its conformity with accepted industry practices. An assessment of the market and the competition, as well as strategies used to attract new ridership will be made. The inquiry will also consider public interest matters including the effect of VIA's fares on applicable government subsidies, the maintenance of fair competition and competitors' ability to maintain service. Eight public hearings were scheduled at various points across Canada from March 30 to May 1, 1989, but were not completed at the time of this report.

In addition to this regulatory inquiry, VIA is also facing the possibility of cutbacks in its operating subsidy from the federal government, as part of the federal government's deficit reduction program. No details were available at the time of preparation of this report. It is expected that the 1989 Federal Budget, due April 27, 1989, will give a clearer indication of the future of VIA Rail.

Highway

During August of 1988 the Province of New Brunswick released a \$1.934 billion plan to upgrade New Brunswick highways in which \$1.691 billion would go toward the twining of the Trans Canada Highway through the province. This subject is dealt with in more detail in a later section of this report.

The Roads and Transportation Association of Canada (RTAC) released phase one of a two-year project to formulate a new national highway policy for Canada during January of 1989. This study group is sponsored by the Council of Ministers responsible for transportation and highway safety and consists of representatives of provincial, territorial and federal transportation departments. Phase one of the study established criteria to define a national system of highways;

applied those criteria in identifying and adopting a national highway system; established minimum design and operational standards for the system; inventoried the nature and condition of the identified system; and prepared terms of reference for the remaining phases of the study. In the Atlantic Provinces, the system consists of 961 kilometres in New Brunswick, 916 kilometres in Nova Scotia, 904 kilometres in Newfoundland and 116 kilometres in Prince Edward Island. The Atlantic Provinces' distance of 2,897 kilometres represents 11.9% of the total system distance of 24,459 kilometres. The remaining phases of the study will provide an economic evaluation of the benefits and costs of the national highway system, examine funding alternatives for the design, construction and maintenance of the system, and develop options for a national highway policy.

Transport Route Canada Inc., one of the largest trucking companies in Canada with operating authority from coast to coast, went into bankruptcy during 1988. The former trucking division of CN Rail was purchased by private interests in 1986.

Armour Transport of Moncton, NB, acquired control of Drury's Transfer, a New Brunswick general freight carrier specializing in LTL traffic, during September, 1988. Drury's Transfer, however, will continue to operate as a separate identity within the Armour Transport Group.

In October, Scotia Investments Group and Armour Transport entered into an agreement by which Armour has taken over full responsibility for the operations of Pole Star Transport and, it is understood, that Armour may assume an equity position at some future date.

Federal Express Canada purchased two Maritime courier companies during early 1989. Yuill Courier Service of Halifax and Bluejay Courier Service of New Brunswick were formerly part of the EastCan Group companies and will continue to operate under the EastCan trade name. Federal Express Canada operates across Canada and is associated with Federal Express Corporation of the United States.

Air

During the past year, air service in Atlantic Canada continued to undergo a number of changes, reflecting the deregulatory environment under which the air industry has been operating for the past several years.

The large national and international carriers, Air Canada and Canadian Airlines International, continued to reduce their service within the region. At the same time, the regional connector airlines, Air Atlantic and Air Nova, expanded their operations taking over service to communities affected by the cutbacks of the larger carriers and introducing a number of new routes as well. A third regional carrier, Inter-Canadian Airlines, expanded its service into the region in 1988 with connecting flights between Montreal and Toronto and several Atlantic communities. The regional carriers expanded their fleet sizes and, in some cases, introduced jet aircraft to accommodate their expanding networks.

The National Transportation Agency received and granted a number of applications for authority to operate air service to and from a number of communities within the designated northern area. In the Atlantic Provinces, the designated area north of the 50th parallel (where entry regulations still prevail) includes all of Labrador and the most northern portion of the Northern Peninsula of the Island of Newfoundland.

Several regional airports including Fredericton, NB, and Halifax, NS, completed or began construction of expanded terminal facilities to accommodate increased passenger traffic.

Air Canada introduced a number of changes in its air cargo services during the year. DC-8 freighter service from St. John's to Goose Bay and from Montreal and Toronto to St. John's was discontinued during the year as the airline's DC-8 freighter fleet was reduced. Service to St. John's was replaced by a smaller jet aircraft operating from Montreal to St. John's. Air Canada also

established a regional air cargo centre at Moncton, NB, and introduced new daily air freighter service to and from this centre to connect with various air courier services to Fredericton, NB, Charlottetown, PE, and Newfoundland. This new arrangement has reduced travel time so that Atlantic Provinces' products may be shipped from Moncton to anywhere in the world within 48 hours.

Provincial Express Limited commenced operations as an air cargo carrier during March, 1989. Operating an overnight air express service with two freighter aircraft, Provincial Express serves the communities of Halifax, Sydney, Deer Lake, Stephenville, St. John's and Goose Bay.

The Government of Canada sold approximately 43% of the common shares of Air Canada to the public in the fall of 1988. The revenue from the share sale was used to reduce debt and help pay for new aircraft. Air Canada also sold its overnight division of Gelco Express Limited to Purolator Courier Ltd. In return, Air Canada received 22% of Purolator's equity and a 10-year agreement to transport Purolator's packages across Canada, as well as a maintenance contract for 16 Purolator aircraft.

The following table shows the operational statistics for Air Canada during the year under review. (Figures for Canadian Airlines International, Air Atlantic and Air Nova are not available.)

	AIR CANADA (Millions)		
	1988	1987	% Change
Net Income (\$)	96.0	46.0	+52.4
Revenue Cargo (Ton Miles)	605.0	585.0	+3.3
Revenue Passengers Carried	11.9	11.0	+7.6
Revenue Passenger Miles	15,553.0	14,358.0	+7.7
Passenger Load Factor	71.4%	71.1%	+0.4
Source: Air Canada			

Marine

Cargo tonnage at Ports Canada ports in the region increased by 8% during 1988. Traffic at the Port of Saint John increased by 14% with gains in bulk commodities offsetting a decline in container traffic. The largest growth at Saint John was in potash shipments (25%) followed by forest products (20%) and petroleum products (15%). Halifax recorded its third consecutive year of record totals for container traffic with over 3.5 million tonnes of containerized cargo handled, a

27% increase over the previous year. Increased shipments of gypsum and petroleum products also contributed to a record overall tonnage of 16.2 million tonnes. Increased container traffic at St. John's, NF, resulted from increased frequency of calls by container services operating from Halifax and Montreal. Also, the demise of the Newfoundland railway in September of 1988 resulted in traffic formerly handled by the railway over North Sydney being routed via the container services from Halifax and Montreal. A statistical summary is provided in the following table:

**WATER CARGO TONNAGE, LOADED OR UNLOADED AT
PORTS CANADA PORTS OF SAINT JOHN, NB,
HALIFAX, NS, ST. JOHN'S, NF, AND BELLEDUNE, NB
(In Metric Tonnes)**

<u>CALENDAR YEAR</u>	<u>SAINT JOHN</u>	<u>HALIFAX</u>	<u>ST. JOHN'S</u>	<u>BELLEDUNE</u>	<u>TOTAL</u>
<u>ALL CARGO</u>					
1988	14,904,000	16,235,831	944,682	446,774	32,531,287
1987	13,043,067	15,790,590	866,403	423,092	30,123,152
Increase or (Decrease)	1,860,993	445,241	78,279	23,682	2,408,135
% Change	14.27%	2.82%	9.03%	5.60%	7.99%
<u>GENERAL OTHER CARGO*</u>					
1988	1,113,000	573,321	141,980	-	1,828,301
1987	896,000	640,820	114,067	-	650,887
Increase or (Decrease)	217,000	(67,499)	27,913	-	177,414
% Change	24.22%	-10.53%	24.47%	-	10.75%
<u>CONTAINER CARGO</u>					
1988	134,000	3,537,169	333,769	-	4,004,938
1987	214,000	2,792,194	309,004	-	3,315,198
Increase or (Decrease)	(80,000)	744,975	24,765	-	689,740
% Change	-37.38%	26.68%	8.01%	-	20.81%

* Excludes bulk cargo

Source: Canada Ports Corporation

The federal government announced funding of \$17 million for upgrading of the container terminal and port facilities at Corner Brook, NF, during May of 1988. Work on the project began during 1988 and is expected to be completed by March of 1990.

The Province of Nova Scotia has developed a \$10 million port facility at Sheet Harbour, NS. The initial facility consisted of a 500-foot wharf with a 35-foot water depth along side and seven acres of graded backup land. A second wharf was completed during 1988 and

leased to private industry. The facilities are currently used for barge operations. Work is continuing on improvements to the highway connecting Sheet Harbour to New Glasgow.

During November of 1988, the Port of Halifax officially opened a \$5.2 million extension to the south end of Halterm container terminal. The 50-metre extension will allow two third generation container vessels to dock at the same time. In addition, harbor dredging was completed during early 1989 for a \$4.7 million container terminal just north of Halterm. The new terminal will cover approximately 12 to 14 acres and is scheduled for opening during August of 1989.

During 1988, ASL Atlantic Searoute Limited added a second vessel, the "MV Astron", to their service between Halifax, NS, and St. John's, NF. The 140 TEU (20-foot equivalent) vessel joins the 1127 TEU "MV Sanderling" which operates between the above points as well as Corner Brook, NF. The "Astron", a leased vessel, is a temporary addition, as ASL has announced plans for a second vessel in the 600 TEU range in May of 1989 to provide two weekly sailings by both ships to the two Newfoundland ports.

During February, 1989, ACE Atlantic Container Express Inc. added a third vessel to its service. The 310 TEU "MV Lucien Paquin" was returned to service and will enable ACE to provide a three-day sailing frequency between Montreal, PQ, and St. John's and Corner Brook, NF.

The major additions to and changes in international shipping services during 1988-89 involving Atlantic ports are summarized below:

- ° During June of 1988, Costa Container Line began a weekly service to the Port of Halifax, NS, in a space sharing agreement with Evergreen International. The two lines will interchange space, utilizing five vessels on the Western Mediterranean/North American service. Other ports of call include Valencia, Fos and Livorno in the Mediterranean and New York, Norfolk and Savannah on the US East Coast.

- ° During July of 1988, OOCL (Canada) Inc. (Orient Overseas Container Line) was created by the joining of two well-known trans-Atlantic container lines, Dart and Manchester. The new combined container service operates between Europe and two eastern Canadian ports, Montreal and Halifax. This, together with OOCL's Far East service to Halifax and Vancouver, BC, make it one of the world's largest container services.
- ° During October of 1988, Kaola Line began a regular 21-day Australian container service to the Port of Saint John, NB. Kaola Line, operated by Arnold Peters Shipping Agency of Hamburg with four vessels, also calls at the United Kingdom, four North European ports and Durban, South Africa and Mauritius.
- ° Turkish Cargo Lines inaugurated a new monthly ocean service during January of 1989 to the Port of Saint John, NB. The Turkish line is government-owned and offers conventional and container cargoes with 60 vessels. The line also serves other Eastern Mediterranean and North African ports.
- ° During early 1989, Sea Land Service, American Division, inaugurated a weekly refrigerated and dry container service between Halifax, NS, and Puerto Rico, the Virgin Islands, the Dominican Republic, Jamaica, Trinidad, Aruba, Curacao, St. Maarten, Honduras, Costa Rica, El Salvador and Guatemala.
- ° Hoegh Line has announced their decision to change their Canadian port of call from Halifax to Saint John effective May 15, 1989. The line services South East Asia, Sri Lanka and India, with calls at Saint John every 21 days.

Ferries

The 1988 traffic totals for the major ferry operations in Atlantic Canada showed increases when compared with the previous year. Totals for passengers increased 3.6%, automobiles and pick-up trucks increased 5.5%, with trucks and tractor trailers increasing 7.1%.

The following table shows statistics for the years 1988 and 1987:

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>	
<u>MARINE ATLANTIC SERVICE</u>							
Cape Tormentine - Borden	1988	1,777,292	+3.7%	616,379	+5.3%	141,069	+7.6%
	1987	1,713,110		585,617		131,070	
North Sydney - Port aux Basques	1988	356,829	+9.7%	96,995	+12.7%	62,336	+10.9%
	1987	325,210		86,038		56,190	
North Sydney - Argentia (1)	1988	21,146	-32.4%	5,929	-27.8%	66	-10.8%
	1987	31,296		8,207		74	
Yarmouth - Bar Harbour	1988	124,012	+4.1%	32,500	+9.5%	4,135	+11.1%
	1987	119,163		29,667		3,722	
Saint John - Digby	1988	229,112	+2.7%	58,863	+5.0%	25,705	+0.5%
	1987	223,062		56,053		25,577	
<u>COASTAL TRANSPORT LIMITED</u>							
Blacks Harbour - Grand Manan Island	1988	109,530	+1.7%	41,550	+0.9%	6,406	-5.0%
	1987	107,698		41,162		6,742	
<u>NORTHUMBERLAND FERRIES SERVICE</u>							
Wood Island - Caribou (2)	1988	551,555	+2.4%	180,760	+4.9%	22,376	+4.8%
	1987	538,591		172,273		21,350	
<u>PRINCE OF FUNDY SERVICE</u>							
Yarmouth - Portland (3)	1988	171,946	+3.6%	27,812	+6.3%	1,078	-1.8%
	1987	165,896		26,176		1,098	

(1) 1988 operated June 13 to September 11*
1987 operated June 15 to September 1

(2) 1988 operated April 26 to December 12
1987 operated May 7 to December 20

(3) 1988 operated May 4 to October 22
1987 operated May 7 to October 25

* "Ambrose Shea" out of service July 28 to August 12 and August 26 to September 1, 1988.

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

The federal government announced plans in May of 1988 to construct a 150 vehicle ferry to operate between Wood Islands, PE, and Caribou, NS, by Northumberland Ferries Ltd. The \$45 million cost will include \$30 million for the ferry and \$15 million for the bi-level loading facilities required at both terminals. Service is presently provided by four 60 vehicle vessels, one of which is due to be decommissioned at the end of 1989 unless it has a major overhaul. At year end, tenders had not yet been called for the construction of this vessel.

Marine Atlantic's new Gulfspan ferry, "MV Joseph and Clara Smallwood", currently under construction at Lauzon, PQ, is scheduled

for completion during 1989. The multimillion dollar vessel will initially operate on the seasonal service between North Sydney, NS, and Argentia, NF. Larger docking facilities are currently being constructed at Argentia to accommodate the new vessel. The "Ambrose Shea" will operate again in 1989 on the North Sydney to Argentia run until the arrival of the "Smallwood".

Marine Atlantic Inc. increased its fares by approximately 6% effective February 27, 1989. This is the eighth consecutive year in which Marine Atlantic has increased its rates. Northumberland Ferries has also announced a fare increase of 6% to become effective at the beginning of its 1989 season, on or about May 1st.

GENERAL LEVEL OF RATES

The task of monitoring and reporting on freight rate changes has become exceedingly difficult as a result of the legislation and regulatory changes which became effective at the beginning of 1988. Confidential contracts applicable to railway freight traffic and the removal of the requirement for the filing of motor carrier rates with provincial regulatory authorities have resulted in meaningful rates being unavailable for analysis. However, firms involved in the APTC monitoring project have indicated a relatively stable freight rate situation on average in 1988 in the Atlantic Provinces.

Freight rate increases applicable to rates still published in available freight rate tariffs, which now generally serve only as a guide to maximum rate levels, were in the area of 4% to 5% on domestic rail and truck rates during 1988. Published rail and truck rates on traffic between Canada and the United States took slightly higher increases. General rate increases are normally subject to numerous exceptions.

A large percentage of the freight traffic moving from, to or within the Atlantic Provinces is now moving under railways' confidential contracts or via highway carriers who are not tariff bureaux members and who keep their rates confidential.

During the year under review, general air cargo rates and specific commodity rates were increased generally 5% to 7% on domestic rates and 5% to 8% on rates on traffic to the United States.

General ocean freight rates, as well as ancillary fees, were increased significantly during the year under review. Some shippers, particularly those exporting to the United Kingdom and Continental Europe, experienced increases of up to 40%. Certain ancillary charges were increased in excess of 500%. Carriers are increasing their rates to levels they say will cover their costs. For a number of years, markets have been depressed, forcing the carriers to keep rates and ancillary fees low.

APTC MONITORING PROJECT

The APTC has completed its third report for the National Transportation Agency of Canada on the "Impact of Federal Transportation Legislation on the Atlantic Provinces". This report, for the year 1988, in monitoring the impact on users of transportation, compares rates, service levels, availability, etc. with those in place in 1986 and 1987. The specific legislation being monitored is the National Transportation Act, 1987; the Motor Vehicle Transport Act, 1987; and the Shipping Conferences Exemption Act, 1987. The APTC's mandate is to monitor similar information for the years 1989, 1990 and 1991 to assist the NTA with its monitoring and reporting to the Minister of Transport on an annual basis, leading up to a comprehensive review by the NTA required in 1992.

Based on the information secured by the APTC from more than fifty comprehensive questionnaires; and interviews with users of transportation, carriers, Chambers of Commerce or Boards of Trade, the first year of implementation of transportation brought with it a positive attitude from users in Atlantic Canada. During 1988, rail and truck transportation services improved and, in many cases, freight rates for both modes lowered or remained the same.

If not the most noteworthy development since the implementation of the legislation, certainly one of the most beneficial happenings for many users has been the number of confidential contracts being offered by the Canadian railways. In Canada, 1594 confidential contracts have been filed in the fiscal year being reported, with 212 of these contracts negotiated for moves between, to or from the Atlantic Provinces.

The levels of truck service and rates remained fairly constant, with shippers indicating a high degree of satisfaction.

Truck carriers and shippers alike felt that there continues to be a lack of uniformity among provinces in the granting of extra-provincial licenses. Many felt that motor carrier boards lacked direction from the federal government on how to carry out their revised mandate.

The air transportation network throughout the Atlantic Provinces was viewed on the whole as satisfactory for the year 1988. Continuing expansion of air services, with improved equipment

and infra-structure, created an air of enthusiasm and wide acceptance throughout the region.

Many shippers in Atlantic Canada utilizing marine services are of the opinion that changes in the Shipping Conferences Exemption Act, 1987, have not gone far enough in deregulating the marine mode as evidenced by the pervasiveness of increases in ocean rates to many world markets.

The Atlantic Provinces Transportation Commission welcomes the views of any person concerning the so-called deregulated environment.

MOTOR CARRIER LICENSING DEVELOPMENTS

The Motor Vehicle Transport Act, 1987, which became effective January 1, 1988, reduced economic regulation of the extra-provincial motor carrier industry. It placed a greater reliance on market forces and competition in determining the level of service that will be provided by the industry.

The Act introduced the principal of "reverse onus" and "public interest" as factors in the granting of motor carrier licenses. The provincial motor carrier authorities have been designated as the authorities responsible for the administration of the Act. This has led to differing interpretation of the application of various provisions of the Act, especially concerning the interpretation of "public interest". As a result, there has been a considerable lack of uniformity in the treatment of applications for motor carrier authority across the country.

In September, 1988, the APTC wrote to the Ministers of Transportation for the Atlantic Provinces expressing its concern over the lack of uniformity among the Atlantic Provinces in the implementation and interpretation of the various provisions of the MVTA (1987). Newfoundland

and Prince Edward Island have been granting extra-provincial applications as envisioned. However, a backlog of applications developed in Nova Scotia pending a decision in the F. M. Taylor Application, which was considered a test case. A decision was handed down by the Nova Scotia Motor Carrier Board on September 26, 1989, approving this application. Thereafter, Nova Scotia cleared the backlog of applications for extra-provincial operating authority.

In New Brunswick, licenses are being granted for truckload service only, pending the outcome of decisions in several cases before the Motor Carrier Board. Both Nova Scotia and Newfoundland have yet to enact the necessary legislation to bring their intra-provincial trucking regulations in line with the federal Act.

In order for the regulatory reform of the motor carrier industry to achieve the anticipated results, greater uniformity among provinces must be achieved so that carriers may be relieved of unnecessary delays and costs in the application for motor carrier authority to enable them to compete in the marketplace on an equal footing to better serve the needs of the shippers of Atlantic Canada.

VEHICLE WEIGHTS AND DIMENSIONS

An mentioned in last year's report, in February, 1988, the Council of Ministers of Transportation and Highway Safety endorsed a Memorandum of Understanding concerning weights and dimensions of commercial vehicles operating between provinces. Under the terms of the Memorandum, each of the provinces will permit vehicles which comply with the recommended weight and dimension specifications as a minimum to travel on a designated system of highways. Each jurisdiction also retained the authority to allow more liberal weights and dimensions.

In the Atlantic Provinces, to the extent that the existing weights and dimensions exceed those

recommended in the Memorandum, they will remain unchanged. However, when implemented, an overall length of 23 metres for vehicle combinations will be permitted. Also B-train combination vehicles will be permitted on designated highways up to a maximum gross combination weight of 62,500 kilograms. It is anticipated that each of the Atlantic Provinces will introduce the appropriate regulations to implement the provisions of the Memorandum sometime during 1989. In the meantime, vehicles which meet the recommended specifications may be operated under special permits issued by the motor vehicle department of the province where the vehicle is to be utilized.

NATIONAL SAFETY CODE/RAILWAY SAFETY ACT

During 1988 work continued on regulations and legislation to enhance safety in Canada's transportation industry. Development of safety standards for the motor carrier industry under the National Safety Code progressed, with the hours of work regulations being the most contentious issue yet to be resolved.

The National Safety Code represents minimum levels of safety standards to be implemented by the various provinces. Individual provinces may have stiffer requirements in any given area. In addition to the hours of work standards, the National Safety Code will contain standards covering 18 areas of safety and administration. Included are standards for driver's licensing and performance; the mechanical condition, inspection and operation of commercial vehicles; the security of loads; and the maintenance of records by drivers, carriers and provincial regulatory authorities.

When in place, the standards will apply to operators and drivers of all commercial vehicles, both private and for-hire, including trucks and tractor-trailers with a gross registered weight exceeding 4500 kgs and buses with a seating capacity exceeding 10 passengers. The implementation and enforcement of the National Safety Code standards will fall under provincial jurisdiction. While some of the standards have been in place in the Atlantic Provinces for a number of years, the remaining standards will be introduced at various times in different provinces during 1989.

The Railway Safety Act, which provides the necessary legislative framework for safety standards for the operation and maintenance of railway operations, was assented to on July 28, 1988, and became effective January 1, 1989. This Act was introduced in response to a number of railway accidents and derailments in recent years.

RAIL ABANDONMENTS

In June, 1988, a federal/provincial agreement was signed allowing Canadian National Railways' TerraTransport Division to cease rail operations effective September 1, 1988. This matter is addressed under the heading "*Newfoundland Transportation Initiative*" on page 25 of this report.

The following is a table showing the rail lines abandoned and lines for which abandonment applications have been filed as of March 31, 1989, under the provisions of the National Transportation Act:

<u>Subdivision</u>	<u>Between</u>	<u>And</u>	<u>Total Miles</u>	<u>Status</u>
<u>NEW BRUNSWICK</u>				
<u>Abandonments</u>				
CN/Caraquet	East Bathurst (incl. Shippagan)	Tracadie	75.0	Ordered Abandoned May 2, 1989
CN/Temiscouta	Cabano	Fraser Jct.	15.0	Ordered Abandoned April 20, 1989
CP/Aroostook	Aroostook	Int. Border	4.8	Ordered Abandoned May 2, 1989
CP/Houlton	Debec Jct.	Int. Border	5.0	Ordered Abandoned May 2, 1989
CP/St. Andrews	Champlain Spur	St. Andrews	9.7	Ordered Abandoned November 6, 1988
<u>Applications to Abandon</u>				
CN/St. Quentin	Tide Head	St. Leonard	103.5	Pending Statutory Review by NTA, 1989
CN/Tormentine	Sackville	Cape Tormentine**	35.4	Application Dated December 1, 1988
CP/Shogomoc	River de Chute	Perth/Andover	16.1	Application Dated June 10, 1988
CP/Shogomoc	Woodstock	Newburg	2.7	Application Dated June 10, 1988
CP/Tobique	Perth Jct.	Plaster Rock	27.5	Application Dated June 10, 1988
<u>NOVA SCOTIA</u>				
<u>Applications to Abandon</u>				
CN/Chester	Chester (incl. Lunenburg Spur)	Liverpool	75.9	Application Dated June 18, 1988
CP/Kentville*	Kentville	Annapolis Royal	53.8	Application Dated June 28, 1988
CP/Yarmouth*	Annapolis Royal	Yarmouth	86.0	Application Dated June 28, 1988
<u>PRINCE EDWARD ISLAND**</u>				
<u>Applications to Abandon</u>				
CN/Borden	Charlottetown	Borden	42.4	Application Dated December 1, 1988
CN/Kensington	Emerald Jct.	Linkletter	19.5	Application Dated December 1, 1988

Applications to be Reviewed

Souris	Royalty Jct.	Souris	55.0	Pending Statutory Review by NTA, 1989
Elmira Spur	Harmony Jct.	Baltic	5.0	Pending Statutory Review by NTA, 1989
Montague	Mount Stewart Jct.	Montague	25.6	Pending Statutory Review by NTA, 1989
Murray Harbour	Maple Hill (incl. Mount Herbert Spur)	Uigg	17.8 4.6	Pending Statutory Review by NTA, 1989
Kensington	Linkletter	Tignish	65.2	Pending Statutory Review by NTA, 1989

*The National Transportation Agency has scheduled public hearings regarding these applications April 5, 1989.

**The National Transportation Agency has scheduled public hearings regarding all Prince Edward Island rail lines April 24 to 28, 1989.

Nova Scotia Shortline Study

On September 30, 1988, the "*Dominion Atlantic Railway Shortline Study*" was produced by Stevenson Kellogg Ernst & Whinney in association with R. L. Banks and Associates Inc. The study was commissioned by the Nova Scotia Department of Transportation to determine the feasibility of operating the DAR as a private sector shortline railway.

The study predicted that operation of the DAR as a shortline could reverse the present decline in rail shipments and develop a modest increase in rail freight traffic within a five-year time span. However, to provide an adequate return on investment, substantially reduced operating costs will be necessary. To achieve these reduced operating costs, the study noted that more flexible regional railway work rules must be implemented.

The study divided the DAR into three sections indicating that freight operations on the DAR in its entirety would not be profitable. Only the Mantua/Hantsport section could be profitable as a stand-alone operation due to the high volume of gypsum moved over this portion of the line. However, marginal profits could also be possible with the Windsor Junction/Coldbrook section combined with the Mantua/Hantsport section. The study found little hope for the

Coldbrook/Yarmouth portion of the DAR ever being profitable.

APTC Position on Essential Rail Networks

In response to a request by the Minister of Transport, the National Transportation Agency undertook an examination of the criteria that could be used to identify rail networks essential to the economic development of any given region of Canada.

The APTC supported the need for an overall strategy, with the objective of preventing the abandonment of rail lines which are essential to regional economic development. The following criteria were submitted by the APTC to the Agency for their consideration:

- (1) *Rail lines serving industries (shippers) heavily dependent on rail service to meet their transportation needs.*
- (2) *Rail lines serving industries (shippers) with special transportation needs that cannot be met in a practical or economic sense by alternative forms of transportation.*
- (3) *Rail lines required to meet identified industrial development needs (such as new industries committed to a given location where rail transportation is essential to their needs).*

- (4) *Rail lines serving areas with mineral deposits with identified development potential where rail transportation is essential.*
- (5) *Rail lines serving the national Ports of Halifax and Saint John.*
- (6) *Rail lines required to maintain intra-modal rail competition in a region.*
- (7) *Rail lines that represent an economic means of moving highway trailers as an alternative to the use of public highways.*
- (8) *Rail lines whose abandonment would result in the erosion or elimination of elements of the "Maritime" rail rate structure upon which Newfoundland rail rates are based (Term 32(2) of the Terms of Union between Newfoundland and Canada).*

In addition to the specific criteria listed above, the APTC also advanced the proposition that the following conditions be adopted:

- (a) *Any rail lines maintained as essential to the economic development of a region where the railway company incurs an operating loss should be compensated for the actual loss by the Government of Canada.*
- (b) *Where rail line abandonments in a given province cause or have caused a shift of a significant volume of traffic to public highways, the federal government should assume responsibility for increased funding for construction and ongoing maintenance of highways in such provinces.*

ACE COMPLAINT REGARDING NEWFOUNDLAND RATES

Background

In August, 1987, the Review Committee of the Canadian Transport Commission ordered Canadian National Railway (CN) and its Terra-Transport Division to review their rates to, from and within Newfoundland to ensure that such rates are in line with similar mainland Maritime rates as adjusted for distance. This directive resulted from a more favorable interpretation (i.e., as compared to an earlier CTC decision) placed on Term 32(2) of the Terms of Union under which, "For the purposes of railway rate regulation the Island of Newfoundland will be included in the Maritime region of Canada . . .". The Review Committee's decision was outlined more fully in the annual report for last year.

In response to the Review Committee's decision, in November of 1987, CN published a number of new reduced rates on various commodities moving from Quebec and Ontario to Newfoundland. Both the Newfoundland Government and the APTC felt that CN's interpretation and response to the CTC directive was too narrow and failed to provide rates to Newfoundland shippers and receivers comparable to the Maritimes. This stems from the fact that CN's methodology for extending "Maritime" rates to Newfoundland

was limited to intermodal **piggyback** rates ignoring the reality that the Maritime mainland also had the benefit of much lower rail carload rates for many commodities.

Immediately following the decision of the Review Committee of the Canadian Transport Commission, Atlantic Container Express (ACE) filed an application for leave to appeal the decision to the Federal Court and then requested that it be held in abeyance pending the further filing of rates by CN. Up to the conclusion of the year under review, this application had not been reactivated.

1988-89 Developments

In June of 1988, following a meeting between CN, the Newfoundland Government and the APTC, CN began to publish many additional rate reductions based on an extension of rail **carload** rates to the Maritime mainland as adjusted for distance. The use of rail carload rates as a modification of the methodology for constructing rates to Newfoundland resulted in significant rate reductions. In many cases, these reductions applied on commodities that failed to benefit from the earlier adjustment which was based on rail piggyback rates alone. The APTC did extensive

work into the evaluation of TerraTransport rates to and from Newfoundland to ensure that the rates were no higher than that required under the new methodology for rate construction. This, coupled with adjustments initiated by TerraTransport, resulted in rate reductions of the general order of 11% to 20% and, in many cases, in excess of 20% (this is over and above the reductions in November, 1987, in the area of 8% to 10%).

On June 20, 1988, ACE lodged a complaint with the National Transportation Agency (NTA) alleging that the reduced rates are non-compensatory and contrary to the Railway Act. Subsequent submissions from ACE went on to attack the methodology used to construct rates to Newfoundland. In addition to CN as the respondent, various interested parties, including the Government of Newfoundland and Labrador and

the APTC, responded by pointing out that the reduced rates are totally consistent with the decision of the Review Committee of the CTC (in particular, the Review Committee concluded that, "In calculating these rates, CN should relate them to the mainland Maritime rates on similar commodities, not to the costs of moving this freight . . .", and also, "The rates calculated in this manner will represent the maximum rates CN can charge for freight moving to, from and within Newfoundland."). (CTC Review Committee Decision No. 1987-02, August 28, 1987, p. 38.)

At year end, despite requests from CN, the APTC and others urging the NTA to terminate the "ACE Complaint" without delay on the grounds that the concerns submitted by ACE have been fully disposed of, the matter was still before the Agency.

NEWFOUNDLAND TRANSPORTATION INITIATIVE

Following many years of consideration in relation to the transportation needs of Newfoundland, an agreement was reached in June of 1988 between the Government of Canada and the Government of Newfoundland and Labrador to terminate the railway on the Island of Newfoundland. This decision was based on the conclusion that the future development of Newfoundland is not dependent upon, nor best served by, the continuation of the railway. This decision was part of an overall Transportation Initiative which includes an \$800.6 million transportation package to upgrade the province's highways and ports and provide for community adjustment and labor assistance.

The operation of the railway had been reduced to the movement of containers on flat cars approximately six years ago, with the objective of revitalizing the railway to make it more competitive with the water and truck modes. Despite this, the railway's share of the Newfoundland general freight market decreased to less than 20%. The losses for 1987 were about \$39 million and the

accumulated losses were placing a heavy burden on Canadian National's financial viability.

A compensation package which applies over a period of 15 years is set out in a Memorandum of Understanding (MOU) between the two governments and contains the following components:

	<u>\$ Million</u>
(a) enrichment of current ERDA highway agreement	62.5
(b) port development	8.1
(c) community adjustment	15.0
(d) Trans Canada Highway	405.0
(e) regional trunk roads	235.0
<u>Subtotal</u>	<u>725.6</u>
(f) labor adjustment, legal surveys, preparation and registration of transfers, as required	75.0
<u>Total</u>	<u>800.6</u>

The compensation package is intended to provide the framework for a full and effective transportation system for Newfoundland following the closure of the railway. Under the MOU,

the Minister of Transport for Canada is committed to maintain, through the CNR, an active and on-going freight presence in the form of intermodal services to, from and within the Island of Newfoundland. The railway's intermodal rates are to be based on the principles set out in Term 32(2) of the Terms of Union (see "ACE Complaint Regarding Newfoundland Rates" in this report).

An important feature of the agreement is a review process. During the year following the eighth full year after the date of closure of the Newfoundland railway, a federal/provincial review shall be undertaken:

"(a) to determine whether the level of service in interprovincial surface (including marine) freight transportation to, from and on the Island of Newfoundland is adequate to meet the transportation needs of the Province in a manner comparable to that then prevailing in the Maritime Region of Canada;

"(b) to assess the surface (including marine) inter-modal freight rate structure to determine if it then is, in any way, and to what extent, a more significant factor in the economic development prospects of the Province than it was immediately

prior to the close of the Newfoundland Railway; and

"(c) to assess the progress in implementing the two highways agreements (items (d) and (e) in article 5 thereof) and the adequacy of the project work plans in place at that time in relation to the financial commitments agreed upon, the impact of inflation and any other factors which may have a bearing on the completion of the projects included in the two agreements, in conformity with such performance, engineering or other standards as form part of the respective agreements." (MOU, June 20, 1988, p. 5)

From the point of view of Newfoundland users of transportation services, the Newfoundland Transportation Initiative and the closure of the railway appeared to have been well received. Given the greater flexibility of handling methods and route selection under the agreement, the CNR was placed in a position of being able to provide a better service at a lower cost. Newfoundland should continue to benefit from the protection of competition of all three modes of transportation (marine, highway and rail inter-modal) while, at the same time, receiving the benefit of a "rate umbrella" under rail container rates pursuant to the Terms of Union.

COASTING TRADE LEGISLATION

As reported in the annual report for 1987-88, Bill C-52, the Coasting Trade and Commercial Marine Activities Act, was passed by the House of Commons in March of 1988 and received first reading in the Senate on March 29, 1988. The Bill subsequently reached the Committee stage in the Senate but died on the order paper when the election was called in the fall of 1988.

If Bill C-52 had been passed by the Senate and become law, it would have continued to restrict domestic coastwise trade to the use of Canadian registered ships except under very limited circumstances. The only exception to the use of Canadian ships would continue to be when

no Canadian ship is suitable and available to provide the service and only when arrangements have been made for the payment of duties and taxes under the Customs Tariff and Excise Tax Act applicable to foreign ships in relation to their temporary use in Canada. The proposed legislation would have further restricted the granting of waivers permitting the use of foreign ships by the addition of a 14-day waiting period from the date of the application before issuing a permit. Moreover, the exemption for the carriage of passengers by a ship that has overnight accommodations for at least 250 passengers would act as a deterrent to the cruise ship industry in calling at Canadian ports.

In anticipation of a new but similar Bill coming before the next session of Parliament which is to commence on April 3, 1989, in January the APTC wrote to the Honourable Benoit Bouchard, Minister of Transport, with copies to the Minister of National Revenue and Minister of State for Finance, seeking the adoption of the following features in any new legislation:

- (a) *a flexible and expeditious system for the granting of waivers permitting the use of foreign registered ships when no suitable (in both a technical and economic sense) Canadian registered ships are available;*
- (b) *the proposed 14-day waiting period not be included in any new Bill;*

- (c) *the exemption for vessels engaged in cruising be reduced to accommodations for 100 passengers or more (as per the original Bill at first reading on May 1, 1987); and,*
- (d) *foreign registered ships engaged in the Canadian coasting trade under waivers (i.e., when no suitable Canadian ship is available) be exempted from custom duties.*

Similar representations were made to the federal government by the Canadian Feed Industry Association, Atlantic Division, the Maritime Farmers' Council, and the Government of Newfoundland and Labrador. At the conclusion of the year, there was no further indication of the direction that will be followed in dealing with this matter by the federal government.

SCEA - OCEAN SHIPPING RATES

The Shipping Conferences Exemption Act, 1987, has been in effect since December 17, 1987, except subsection 4(3) (exception regarding independent action) which was proclaimed in force February 17, 1988.

This Act was intended to allow exporters to take advantage of various provisions, including independent action by conference members, and confidential service contracts between the exporter and the conference (the provision allowing confidential contracts with individual member lines was removed from the original Bill). Section 21 of the Act provided that a representative of shipper interests be designated. The Canadian Shippers' Council, of which the Atlantic Provinces Transportation Commission is a member, was named as the designated representative.

During the year under review, ancillary charges as well as general ocean rates published

on behalf of the member carriers of several ocean shipping conferences were increased significantly. One conference increased the terminal service charge it assesses by over 500%. The Canadian Shippers' Council opposed this increase without success. The CSC attempted to obtain financial information from the conference to justify these extreme increases; however, the conference did not comply. The CSC argued that the increases were not justified and that the member lines were using terminal charges to generate extra profit. General ocean freight rates were increased up to four times during the past year, with some shippers experiencing increases in the area of 20% to 40%. Ocean carriers claim that they have been enduring depressed market conditions for a number of years and now that market conditions are improving, the carriers are increasing their rates to levels where they say they will cover their costs.

SHIPPING POLICY - A SECOND CANADIAN REGISTRY

In September, 1988, the federal Minister of Transport issued a discussion paper entitled "A Second Registry for Canadian Owners of Ships in International Service", which presents a brief and preliminary evaluation of two proposals for a second registry.

The Second Registry would accept registrations only from Canadian vessels in deep-sea trades operating with Canadian Crews. If the proposal is implemented, Canada would have two ship registries, one for Canadian vessels engaged in domestic shipping, and one for Canadian vessels engaged in international shipping. The critical elements of the proposals are that Canadian crew members of Second Registry ships would be exempt from personal income tax and earnings from such ships would be free from corporate income tax.

The APTC feels that these proposals do not differ greatly from those put forward in the late 1970's and early 1980's which led to the inquiry of the Task Force on Deep-Sea Shipping in 1985. In a submission to that Task Force, the APTC emphasized the importance of export trade and competitive transportation services to the Atlantic

Provinces. It stated that Atlantic Provinces exporters have not been adversely affected by changing circumstances in the world of shipping and that Canadian vessels are not competitive except in very limited circumstances. It also pointed out that Atlantic Provinces exporters are opposed to any measures which would ultimately lead to massive subsidization and/or reservation of cargo for Canadian vessels by means of legislation.

The tax measures contained in the current proposals for a Second Registry do not appear sufficient to allow Canadian vessels to be competitive with foreign vessels. It is also unlikely that tax measures, by themselves, will provide the necessary incentive to encourage the establishment of a competitive deep-sea fleet under Canadian flag.

The APTC's position, which is similar to the position taken by most other shipper groups in Canada, is that the proposal for a Second Registry would not promote the development of a Canadian deep-sea fleet and could lead to government subsidization and cargo reservation requirements to the detriment of Atlantic Provinces shippers.

PILOTAGE

The investigation into a proposed increase of 4% in pilotage charges of the Atlantic Pilotage Authority was completed in March, 1988, and, as identified in last year's report, the report of the Inquiry Officer did not recommend it on the grounds that it would be prejudicial to the public interest. In a decision rendered in October, 1988, the National Transportation Agency agreed with the opinion of the Inquiry Officer and disallowed the proposal. The validity of this decision was supported by a favourable financial result achieved by the Authority during the past year

despite the fact that the last rate increase for compulsory pilotage areas was in 1986.

Effective in February, 1989, an increase of 10% in pilotage charges for Maritime non-compulsory waters served by the Atlantic Pilotage Authority was approved by Order-in-Council. An increase of 6% was also approved for Newfoundland and Labrador non-compulsory waters effective in March, 1989. As is customary in the case of non-compulsory waters, there were no formal objections filed with the NTA to these increases.

ATLANTIC REGION FREIGHT ASSISTANCE

Payments under the Maritime Freight Rates Act and the Atlantic Region Freight Assistance Act for the year 1988 were approximately \$96 million, reflecting an increase of roughly 10.8 or 12.5% from the previous year. According to the

National Transportation Agency, a large part of the increase was caused by a carry-over of claims from the preceding year which were processed in early 1988. Details of the payments for the past two years are as follows:

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

<u>CALENDAR YEAR</u>	<u>RAIL</u>	<u>TRUCK</u>	<u>WATER</u>	<u>TOTAL</u>
<u>Intra-Regional</u>				
1988	7,600	40,100	800	48,500
1987	6,972	33,899	495	41,366
<u>Westbound-Basic</u>				
1988	13,300	23,000	0	36,300
1987	13,062	20,363	0	33,425
<u>Westbound-Selective</u>				
1988	3,800	8,100	0	11,900
1987	4,195	6,958	0	11,153
<u>Total Payments - Intra-Regional & Westbound</u>				
1988	24,700	71,200	800	96,700
1987	24,229	61,220	495	85,944
Increase	471	9,980	305	10,756
	1.94%	16.30%	61.62%	12.52%

Source: National Transportation Agency of Canada

Eligibility of Peat Moss

In 1986, the Canadian National Railway filed certain tariffs applicable on peat moss originating at Baie Comeau, PQ, under the Maritime Freight Rates Act (MFRA), and the Atlantic Region Freight Assistance Act (ARFAA). The traffic in question was loaded into rail cars at Baie Comeau which moved by ferry to Matane, PQ, on the south shore of the St. Lawrence River, then by rail to their destinations. It was the contention of the shipper and CN Rail that these shipments were eligible for subsidy under the MFRA and ARFAA.

The Railway Transport Committee of the Canadian Transport Commission considered the

matter. The APTC filed an extensive statement on the interpretation of the two Acts which argued that Baie Comeau is outside the select territory for the subsidy. The Committee agreed and issued a ruling that the shipments in question did not constitute preferred movements under the MFRA or the ARFAA and were therefore not eligible for either subsidy.

In November, 1988, the shipper brought the matter before the Federal Court of Canada, Trial Division, seeking a declaratory judgment that the transportation was within the select territory and thus eligible for a reduced rate. In its recent decision, the Federal Court upheld the ruling of the Canadian Transport Commission,

stating that the transportation of merchandise from Baie Comeau does not fall within the select territory of the Eastern Lines as contemplated in the Maritime Freight Rates Act. The Court went on to say that it is not for a Court to expand the meaning of what was designated as the "Eastern Lines" in 1927. It is for the Parliament of Canada to expand the definition as to what is to be designated as part of the "Eastern Lines", if that is what is desired.

Eligibility from Magdalen Islands, PQ

The Federal Court of Canada has denied an application for leave to appeal a decision of the National Transportation Agency which severely limited the amount of westbound subsidy applicable to certain shipments from the Magdalen Islands.

The case concerned shipments transported by a motor carrier, Express CTMA Ltee, utilizing a Ro/Ro vessel service from the Magdalen Islands to Montreal. The NTA ruled on June 23, 1988, that such shipments would be eligible for a subsidy payment of only 10%, rather than the 23.33% which would have applied had the shipments been routed via the ferry services from the Magdalen Islands to Prince Edward Island, and then via highway through New Brunswick to Montreal. The basis for the ruling was that the boundary of the "select territory", as defined in the Maritime Freight Rates Act, and the Atlantic Region Freight Assistance Act, is located at the mouth of the St. Lawrence River in the vicinity of Port Menier, Anticosti Island.

This ruling was appealed to the NTA by the motor carrier with the support of the APTC and the Government of Newfoundland and Labrador. This appeal was rejected by the NTA on October 31, 1988. The carrier then sought leave to appeal to the Federal Court of Canada. The carrier was again supported by the APTC and the Government of Newfoundland and Labrador on

the basis that the NTA had erred in law when it re-defined the "select territory" as being at the mouth of the St. Lawrence River and that the NTA did not adhere to the legislative intent and objectives of Section 3(1) of the National Transportation Act, 1987, by not giving the shipper the full benefits of Section 6(1) of the Atlantic Region Freight Assistance Act and Section 7 of the Maritime Freight Rates Act.

The Federal Court denied leave to appeal under Sections 65(1) and 41 of the National Transportation Act, 1987, expressing the opinion that an appeal to the Court should have been made within 30 days of the original decision, and that the NTA was correct in rejecting an appeal under Section 41 as no new facts had been presented by the applicant, the APTC, or the Government of Newfoundland and Labrador.

Future of MFRA/ARFA Program

Near the conclusion of the past year, there were persistent rumours that the Atlantic Region Freight Assistance program may be under review as part of the federal budgetary process. Meetings by the APTC with senior officials representing the Minister of Transport and federal Ministers from the Atlantic Provinces failed to yield any real assurance that the program is not in danger of being dismantled or curtailed.

Up to year end, in addition to taking every possible step through federal government channels seeking assurance that the MFRA/ARFAA program will remain intact, the APTC was in the process of alerting the Atlantic Premiers, trade groups and businesses throughout the region of the possible dangers.

At the conclusion of the year, the entire matter was cloaked in secrecy at least until the federal budget which is expected to be presented on April 27, 1989.

FEED FREIGHT ASSISTANCE

In September, 1988, Grains and Oilseeds Minister Charles Mayer appointed a Feed Freight Assistance (FFA) Review Committee to determine the best means of providing ongoing support to industries and regions affected by the FFA. The policy objective of the FFA is to ensure "fair equalization" of feed grain prices in grain deficient areas in Eastern Canada and British Columbia.

As part of the information gathering process, the FFA Review Committee held a series of regional meetings in March, 1989, including meetings in St. John's, NF, and Moncton, NB.

A number of proposed changes to the present program were advocated, with the main

thrust calling for an increase in the level of assistance to the Maritime Provinces to cover 60% of the freight cost and further adjusted as necessary to offset future increases in freight. In the case of Newfoundland, certain adjustments in the zoning were proposed, along with the addition of hay and alfalfa as eligible commodities.

The APTC assisted the Canadian Feed Industry Association/Atlantic Division with the preparation of their brief, attended the Moncton hearing and took part in the discussions. The report of FFA Review Committee had not been completed at year end, although it is expected to be submitted to the Minister during the early part of the next fiscal year.

FEDERAL SALES TAX REFORM

The federal government proceeded with plans for the implementation of a broad-based, multi-stage, value-added sales tax during the past year. The proposed tax will replace the current federal sales tax system and apply to a number of goods and services which are not presently subject to federal sales tax, including transportation.

As reported in last year's annual review, the APTC raised a number of concerns over the proposed imposition of such a tax on transportation costs. Those concerns were presented at a meeting in April, 1988, between the APTC, a number of Atlantic Region trade organizations and officials from the federal Department of Finance. Following that meeting, the APTC's concerns were also expressed to the federal Ministers of Finance and Transportation, as well as to their provincial counterparts in the Atlantic Region.

Briefly, these concerns dealt with the following:

- *The potential impact on the price, at the consumer level, of Atlantic Provinces' goods in the marketplace, due to application of tax on higher transportation costs than those of competitors lo-*

cated closer to the marketplace. This is particularly important in those situations where transportation costs are passed directly on to the consumer.

- *Any negative impact resulting from the loss of the present deduction for transportation costs under the current 12% manufacturers' sales tax system.*
- *Disproportionate cash flow requirements necessary to service the proposed tax for those firms with higher transportation costs than their competitors.*
- *Any possible diversion of export traffic through United States ports due to the administrative burden of the tax and possible cash flow requirements.*
- *Potential costs to carriers to administer and collect the tax.*

Other concerns, with the technical application of the tax and the possibility of double taxation should the present excise tax on fuel be continued, were also raised. It was also pointed out that it was the responsibility of the federal government to assess the regional impacts and that the onus is on the federal government to show that the tax will not disadvantage any one region of the country compared to any other region of Canada.

FREE TRADE AGREEMENT

The much discussed and sometimes controversial Canada-United States Free Trade Agreement was signed by the President of the United States and the Prime Minister of Canada on January 2, 1989.

The main objective of the Agreement, i.e., to eliminate barriers to trade in goods and services between the two countries, remains a subject of much discussion by organizations across both countries.

As identified in the APTC's last *"Transportation Review and Annual Report"*, transportation services are **not** covered by the Agreement.

The APTC continues to keep watch on the affect the Agreement will have on matters relating to transportation, e.g., the Atlantic Region Freight Assistance Programs. The Commission continues to make its views known that this very important program must not be jeopardized because of any

commitments made or planned with respect to the Agreement.

The Commission, by letter in June, 1988, to the Honourable John Crosbie, Minister for International Trade, expressed the position that all efforts by the United States government to reduce or eliminate transportation subsidies should be resisted because of their critical importance to the Atlantic Region and also because of the bilateral agreement which, at the request of the United States, excludes transportation issues from the Free Trade Agreement.

In his reply to the APTC in July, 1988, the Minister stated that he is acutely aware of the important contributions of the freight assistance programs to the economic well-being of Atlantic Canada. Among other things, the Minister stated that the provinces and the private sector will be consulted prior to final negotiations in areas such as these programs as they relate to the Free Trade Agreement.

PRINCE EDWARD ISLAND FIXED CROSSING

On June 14, 1988, six proposals for a fixed crossing between Prince Edward Island and New Brunswick were unveiled. Five of the proposals involved construction of a bridge, while the sixth involved construction of a bridge or a tunnel. These non-priced technical proposals were then reviewed by a committee of 50 to evaluate them according to environmental, technical, financial and regional content requirements.

On September 30, 1988, the federal Public Works Minister announced that the competition for the contract was narrowed down to three companies. These three companies were then invited to submit firm prices for construction of a bridge between Prince Edward Island and New Brunswick. The one proposal involving a tunnel did not meet the necessary criteria.

Concerns from environmental groups, fishermen, ferry workers and others continued to be expressed over the socio-economic and environmental impact the fixed link could have on some sectors in the Maritime Provinces. On January 12, 1989, the Premier of Prince Edward Island and the federal Minister of State for Small Business jointly announced that the fixed crossing project would be put on hold for one year while a panel reviews environmental and socio-economic effects of the proposed bridge construction. The decision to hold the review was made because of the high level of public concern over the project.

One of the bidders expressed concern over the delay in the project, fearing that it may not be possible to hold the bid together for a year considering the extensive funds already invested in the bid.

HIGHWAY NEEDS

In August, 1988, the Province of New Brunswick released a green paper entitled *"Adequate Highways - A Key to Regional Economic Development"*. The purpose of the paper was to identify the upgrading needs of New Brunswick's arterial highway system and the financial requirements to meet these needs.

The paper revealed current deficiencies on the Trans Canada Highway and connecting links to Saint John, as well as on other arterial highways in the province. These included congestion, pavement deterioration, poor alignment and safety problems. The paper pointed out the importance of New Brunswick's highways to the region as a whole due to the fact that they act as a corridor for traffic to and from the other Atlantic Provinces. The implementation of the Free Trade Agreement with the United States and the abandonment of rail lines in the Atlantic Provinces is expected to put increased pressure on an already overburdened highway system.

The green paper outlined a plan for the upgrading of the New Brunswick highway system. This plan would cost approximately \$1,934 million over 15 years, including \$1,691 million for the Trans Canada Highway and connecting links to Saint John and \$243 million for other arterial highways in the province. The province is seeking a commitment of approximately 70% of the total cost or \$1,359 million from the federal government. The federal government's share would be utilized towards the construction of the Trans Canada Highway and connecting links to Saint John accounting for approximately 90% of

the construction costs for this portion of the project.

The province would be responsible for all costs associated with the upgrading of the remaining arterial highways; all planning, survey, design and right of way costs; and 10% of construction costs for the Trans Canada Highway and connecting links or approximately 30% of the total. This would amount to approximately \$575 million.

In order to raise the necessary funds for its portion of the project, New Brunswick established the Arterial Highway Trust Fund. On January 1, 1989, a provincial tax increase of 8.5% (2.8¢ per litre) on diesel fuel and 4.5% (1.6¢ per litre) on gasoline was introduced. All funds raised from this additional tax will be directed to the Trust Fund and subsequently spent on highway improvement in New Brunswick. New Brunswick is the first province in Canada to dedicate funds raised from highway users for highway improvements, although this is a common practice in the United States.

In January, 1989, the Board of Directors of the APTC adopted a policy supporting the need for highway improvements in the region and stressed the importance of a federal contribution towards the upgrading of the Atlantic Region's highway system to enable producers and manufacturers in the region to reach their markets safely and economically in future. This position was conveyed to the federal Minister of Transport by letter from the APTC Chairman in January, 1989.

SERVICE TO INDUSTRY

The primary objective of the APTC is to assist business and industry in the Atlantic Provinces with transportation matters in order to become more competitive in the marketplace. The APTC provides a wide range of assistance on such matters as rate and service information, expertise in rate negotiations, information on carrier's liability, subsidy programs, transportation regulations, private truck costing and railway line abandonment, to name a few. Much of this type of work is of a very specific nature and, to a significant degree, confidential. Therefore, it is not possible to provide detailed coverage in this report. However, the following information is provided to give an indication of the wide range of matters that have been dealt with during the year.

Several inquiries were received from both industry and carriers on such topics as shipper's responsibility for load and count, and handling of loss and damage claims. While the APTC does not function as an arbitrator in these matters, the knowledge of the staff and the large base of technical information in the APTC's library was put to good use in these matters.

The APTC prepared customized freight rate tabulations on **potatoes** for New Brunswick and Prince Edward Island producers shipping to Ontario and Quebec; for inbound shipments of **feed ingredients** from Central and Western Canada; for the producers of **peat moss** in Atlantic Canada; as well as for manufacturers of **fertilizer**. In addition, a New Brunswick **confectionery** manufacturer subscribes to this service.

The Commission was pleased to assist many companies in their application for inclusion of their products under the Atlantic Region Freight Assistance Act selective westbound program.

Judging by the number of inquiries, Atlantic Canadian producers are eager to take advantage of the Free Trade Agreement with the

United States, as well as expand their trade globally. In addition to researching rates for many companies, the APTC also provided information to a shipping company to assist them in evaluating a potential new marine service along the eastern seaboard of North America.

A Nova Scotia **metal fabrication** company asked the APTC to check the charges on a rail waybill. The result was a significant savings on the shipment.

At the request of a Prince Edward Island **fertilizer** manufacturer, the APTC succeeded in having rates on ammonium nitrate reinstated into the rail tariffs.

A manufacturer of **dairy products** in Newfoundland was assisted in structuring its operation to allow bulk milk shipments to qualify for intra-regional assistance.

An analysis of a Prince Edward Island **hardware** company enabled the APTC to make suggestions on how to move small shipments more cost effectively.

The industrial commissions of the Atlantic Provinces have requested information on various transportation matters, from cost and location analysis to government policies.

A New Brunswick **printing** plant received the assistance of the APTC in determining the best service for distributing its flyers to stores in various small communities.

At the request of a Nova Scotia **forest products** company, the APTC negotiated competitive truck rates on their behalf.

A major Maritime **bakery products** manufacturer had the APTC conduct an in-depth analysis of its trucking costs on its delivery routes.

An analysis of differences and similarities in the transportation policies for **dairy products** in the three Maritime Provinces was conducted by the APTC.

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

<u>Date</u>	<u>Conference/Meeting/Organization</u>	<u>Nature of Participation</u>
<u>1988</u>		
April 19	Federal Sales Tax Reform	Organizer/Chairman
April 22	CFIA/AD Annual Meeting	Report
April 28	Canadian Pulp & Paper Association	Address
May 23	APCC Annual Meeting	Report
June 2	Private Motor Truck Council of Canada	Address
June 22	New Exporters' Mission Seminar	Address
July 5	Free Trade - Business Opportunity Conference	Panellist
September 14	Nova Scotia Chamber of Commerce	Panellist
September 26	Maritime Lumber Bureau Annual Meeting	Report
September 27	New Exporters' to Border States Mission	Address
October 1	AVABT Semi-Annual Meeting	Address
October 14	CFIA/AD Semi-Annual Meeting	Report
October 18	Truro Transportatin Club	Address
October 19	Truro Chamber of Commerce	Address
October 27	UNB Transportation Seminar	Address
November 4	NB Potato Shippers' Annual Meeting	Report
November 13-18	Newfoundland Shippers' Meetings	Organizer/Address
November 16	New Exporters' Mission Seminar	Address
<u>1989</u>		
February 21	AVABT Export Seminar	Panellist
March 31	Peat 1989 Conference	Address

In April, 1988, the APTC, in conjunction with the Atlantic Division of the Canadian Manufacturers' Association, coordinated a one-day meeting with officials of the federal Department of Finance to discuss federal sales tax reform. Thirty persons were in attendance, representing 12 regional trade groups and provincial government departments.

During the week of November 13-18, 1988, the APTC and the Newfoundland Depart-

ment of Transportation jointly organized and sponsored a series of transportation meetings for shippers and receivers at major locations across the province. The primary objective of the meetings was to provide an opportunity for participants to become better acquainted with transportation trends and developments, with particular emphasis on the Newfoundland Transportation Initiative.

OTHER ACTIVITIES

While the number of Rate Advices continues to decline (due to the increased numbers of special arrangements between carrier and shipper, with the subsequent decline in publicly available published tariffs), the APTC issued 2,817 Rate Advices in the past year. Despite the increasing difficulty of obtaining meaningful carriers' tariffs since deregulation, advising shippers in Atlantic Canada of rate changes of direct or indirect interest to them remains an important part of the mandate of the Commission.

"Tips & Topics", the APTC's newsletter, continued to be published monthly during the past year with an average circulation of 3,150 copies.

The APTC maintains a close association with a number of organizations both within and outside the Atlantic Region. Specifically, liaison is maintained with the Atlantic Provinces Chamber of Commerce, the Atlantic Divisions of the Canadian Manufacturers' Association, the New Brunswick Potato Shippers' Association, and the Prince Edward Island Potato Marketing Commission. The APTC is represented on the New Brunswick Trade Development Board and is a member of the Transportation Committees of the Annapolis Valley Affiliated Boards of Trade; the Halifax Board of Trade; the Canadian Feed Industry Association (Atlantic Division); the Maritime Lumber Bureau; the Nova Scotia Forest Products Association; the Transportation Sector of the Voluntary Planning Group of Nova Scotia; the Multi-Modal Transportation Committee of the Saint John Board of Trade; and the Passenger and Airport Services Committee of the Greater Moncton Chamber of Commerce.

Membership in such organizations as the Atlantic Provinces Chamber of Commerce, the Canadian Port Development Forum, the Canadian Shippers' Council, the Canadian Transportation Research Forum, the Greater Moncton Chamber of Commerce, as well as various transportation clubs throughout the region has been maintained. The General Manager is a member of the Canadian Chamber of Commerce Transportation

Committee and the Maritime Regional Advisory Council (on port matters), as well as being a Director of the Canadian Shippers' Council.

The APTC offered assistance to companies across the Atlantic Provinces in dealings with the federal government. Such issues included changes in Bill C-52, the Coasting Trade and Commercial Marine Activities Act; the lengthy process for eligibility on selective westbound assistance; and the impact the proposed national sales tax would have on the competitiveness of Atlantic Canadian firms.

With the growing use of confidential contracts, the APTC has maintained a record of the summaries of these contracts to monitor that industries in this region are participating as fully in this form of rate-making as their counterparts in other areas of the country.

At the request of several Prince Edward Island companies, the APTC conducted analyses to determine if rail companies were increasing rail rates on certain commodities markedly more for Prince Edward Island points than for other Atlantic Canadian points.

The fuel tax surcharge introduced by the New Brunswick provincial government had many truckers scrambling to pass on this increase in costs to shippers in Atlantic Canada. The intervention by the APTC and others resulted in a moderate increase of 1.5% for shipments only within New Brunswick.

With the announcement by Air Canada to eliminate its jet service to Stephenville, NF, the Commission is preparing an evaluation of the total capacity for passengers and cargo provided by the airlines serving Western Newfoundland.

The limitation of a railway's liability for the carriage of goods was previously governed by Section 294 of the Railway Act and the General Orders of the Canadian Transport Commission. The National Transportation Act, 1987, repealed Section 294 and cast doubt on the validity of the General Orders pertaining to a railway's liability.

The National Transportation Agency could not confirm the validity of those General Orders and, therefore, established an industry committee to review the matter and draft new liability regulations. The APTC participated on the committee that has completed the task of drafting new liability regulations which, at year end, were awaiting Privy Council approval prior to their publication in the Canada Gazette.

Two new editions of popular publications were issued by the APTC this year - the eleventh

edition of the *"Directory of Ocean Shipping Services Between the Ports of Saint John and Halifax and the World"* and the *"Atlantic Provinces Transportation Directory 1988-91"*.

Our continued membership in many organizations has enabled the APTC to maintain a strong presence and provide knowledgeable assistance to the business community. In addition, many individuals, including students, have utilized the APTC library to their advantage in preparing reports on transportation matters.

COMMISSION DIRECTORS

In May, 1988, Mr. Elwood Dillman of Hantsport, NS, completed his term of office on the APTC Board of Directors after serving sixteen years. Mr. Dillman was first appointed by the Atlantic Provinces Chamber of Commerce as a Director in June, 1972, and served as Vice-Chairman for two years and as Chairman from 1980 to 1983. He was replaced by **Mr. Everett Dalton**, General Traffic Manager, Cobi Foods Inc., Port Williams, NS.

Mr. E. M. S. Fisher of Sackville, NB, also completed his term of office as a Director in May, 1988. Mr. Fisher served on the Board for ten years, having been appointed by the APCC in 1978. During his term of office, he served as Vice-Chairman for one year. He was replaced by **Mr. Gil Carter**, President, G. E. Barbour Co. Ltd., Sussex, NB.

Mr. Ken Anderson of North Sydney, NS, after serving three years as a Director, submitted his resignation effective September, 1988. He was replaced by **Mr. John MacDonnell**, Manager,

Transportation/Distribution, Stora Forest Industries, Port Hawkesbury, NS. Mr. MacDonnell's appointment was made by the APCC at their September Board of Directors meeting.

Mr. William English, Director of Traffic & Distribution, Lantic Sugar Limited, Montreal, PQ (Mr. English's responsibilities include the Saint John, NB, sugar refinery) was appointed to the Board by the APCC effective June, 1988.

The only changes in provincial government appointments during the past year was the appointment of **Mr. Ed Hearn** of the law firm of Miller and Hearn, Labrador City, NF/LB, effective in October, 1988. Mr. Hearn was appointed to replace Mr. Henley Noel who submitted his resignation in August, 1988, after serving five years as a Director representing Newfoundland and Labrador.

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

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 Chairman on our Board, the business community is well represented and this is greatly 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 management 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.



Brian K. Wentzell
Chairman



Ramsay M. S. Armitage
General Manager

