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APTC

# Annual Transportation Review 1996

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## FROM THE CHAIR

*It is a pleasure to introduce the first edition of the APTC Annual Transportation Review.*

*This publication replaces the Transportation Review and Annual Report and is designed to provide analysis and commentary on transportation policy and issues.*

*The APTC has prepared to move into the next century with a new Mission to develop as the primary source for transportation information and analysis in Atlantic Canada. This journal will provide annual analysis and commentary on major transportation policies and issues affecting Atlantic Canada. To expose readers to a broader range of views, future editions will include articles by guest analysts and commentators on transportation issues in the Atlantic Region.*

*I hope you enjoy this first issue and welcome your comments and suggestions.*

*Joseph S. Hutchings*
*Chair*

# INTRODUCTION

Change is the only constant. This is an apt way to describe the year 1996 in relation to transportation in Atlantic Canada.

The Northumberland Strait was spanned by the piers and girders of the Confederation Bridge. Construction commenced on the Wentworth by-pass in Nova Scotia. New Brunswick continued twinning major sections of its primary highway network and commenced the planning process for a public/private project to build the Moncton to Fredericton highway.

The first airports were turned over to local administrations by the federal government under their commercialization initiative. Several ports were sold to private interests under the federal government's divestiture program. Ferry services in the Bay of Fundy were privatized and negotiations were underway concerning coastal marine services in Labrador. The Marine Navigation Aids Fees were put in place as one of the most discriminatory measures ever implemented by the federal government against Atlantic Canada. The air navigation system was privatized.

The APTC was not immune from change. A strategic planning process was completed which resulted in the adoption of a new mission. This new mandate, which is a significant departure from that of the previous 65 years, will see the APTC develop as the primary source for transportation information and analysis in Atlantic Canada. The APTC will also seek to foster technological innovation and policy change to improve the efficiency of the transportation system serving Atlantic Canada. The Atlantic Transportation *InfoNET*, an internet-based subscription information service, was recently introduced.

Perhaps the most significant element of change which occurred during the year was the human element. The turnover of experienced decision-makers in the transportation industry in Atlantic Canada is unprecedented in both the public and private sectors. Rationalization and downsizing took their toll of experienced transportation people with a wealth of knowledge and an Atlantic Region perspective. While many of these individuals are not being replaced, a new generation of technologically adept people have stepped in to lead the system into the 21$^{st}$ Century. What may have been lost, however, is the regional outlook and philosophy. Only time will tell.

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## Rail

The Canada Transportation Act (Bill C-14) received Royal Assent on May 29, 1996, after 3rd reading in the Senate. The Bill, as passed, reflects the amendments recommended by the Standing Committee on Transportation (SCOT) report. In addition to the SCOT recommendations, the liability provisions found under Section 153 of the National Transportation Act, 1987, were carried forward to the new Act.

In accordance with Section 141 of the new Canada Transportation Act which was proclaimed on July 1, 1996, the Canadian National Railway Company (CN) issued notice that their three-year plan for transferring and discontinuing the operation of railway lines was available for public inspection.

The plan indicates whether CN intends to continue operation on each railway line or whether during the next three years it intends to sell, lease or otherwise transfer the line, or its operating interest in the line, or take steps to discontinue operating the line. This three-year plan will be updated regularly to reflect CN's rationalization initiatives. An APTC review of the plan on March 5, 1997, revealed that CN is to retain the current status of all CN lines in New Brunswick and Nova Scotia.

Canadian National introduced its new Internet Shipment Tracking capability in early June. The service includes tracing for all CN shipments, whether they are traveling on CN lines or those of other railways throughout North America. This new service's useful applications include shipment tracking, and direct electronic communication with CN's Customer Support Centre. As well, Canadian National announced a credit based demurrage initiative. The new process came into effective August 1, 1996.

On October 1, CN Intermodal and Clarke Transport, A Division of Newcap Inc., entered into a partnership agreement for Newfoundland traffic. Under the agreement, Clarke will be handling distribution on behalf of CN Intermodal in Newfoundland, as well as continuing to service its existing customers on the Island. The joint operation gives shippers to and from Newfoundland access to Clarke's established province-wide highway service, as well as CN's trans-continental track network and connections to other major North American rail carriers.

On December 2, 1996, CN's $20 million Gateway Intermodal Terminal began operation when the first intermodal train from Halifax arrived at the new facility in Harvey, IL, south of Chicago.

Crowded conditions at CN's Railport Terminal located near Chicago's Midway Airport left CN with limited capacity to meet the increasing intermodal customer demand which has grown more than 22% since May, 1995, when CN opened its $200 million St. Clair Tunnel. CN Gateway Intermodal Terminal offers access to other major rail networks, as well as proximity to Interstate Highways 294, 94, 80, 57 and Illinois 1.

In terms of financial performance, 1996 proved to be the best year ever for CN. Revenues were up 1.5% to $4.2 billion. Operating profit increased significantly to $610 million which was an increase of 40% over 1995.

Early in 1996, CP Rail announced the creation of the St. Lawrence and Hudson Railway. The company encompasses all of CP holdings east of Manitoba. The CP Eastern Region had reported losses over the last number of years. SL & H has reported nearly breaking even in their first year. CP strategy is to allow the SL & H to turn the new company around on its own merit. The Edmundston Subdivision, the only CP Rail line in this region, has now become part of the St. Lawrence and Hudson Railway.

In early 1996, the APTC undertook a survey of rail users in this region. Of the shippers contacted, most indicated they did not have significant problems with CN's service; and, in those cases where service was not at acceptable levels, the most often cited reason was equipment related. The survey indicated that respondents generally felt CN had improved services under a privatized corporation.

The three short line railways continued to operate successfully in the region during 1996.

## Air

Transport Canada embarked on two major initiatives during 1996, the commercialization of the Air Navigation System and the commercialization of several national airports. Details are provided on page 17 of this report, under the heading *National Airports Policy*.

## *Legislative Change*

Effective July 1, 1996, amendments to the Air Services Charges Regulations were made by the Minister of Transport. The Air Service Charge was designed to impose a fee for the use of air facilities or services provided by, or on behalf of, the federal government. The revised landing, general terminal and aircraft parking charges represents roughly a 5% increase. For larger volume airports, this would amount to less than $1.00 per enplaned/deplaned passenger; however, the impact may be greater at lower volume airports, including several in Atlantic Canada.

The impact of the user charges is approximately 3% of the airline operating costs, which amounted to approximately $9 billion in 1995. These increases are expected to generate $6.3 million in additional revenue on a full-year basis, and about $3.7 million in 1996-97.

## *Service Changes*

American Eagle, the regional air connector for American Airlines, decided in April to end its service to Halifax. The airline fed the American Airlines' system with connections to Kennedy Airport in New York. The only direct flights serving the New York area from this region now are those of Air Nova which flies into Newark International Airport.

Also in April, Icelandair and Air Atlantic announced the signing of a joint-fare agreement. The agreement with Air Atlantic makes the Icelandair service more readily available to residents of the region.

Air Canada and Air Nova introduced ticketless travel. This new service was introduced in May in an effort to improve customer service and reduce costs. Tickets are ordered by telephone and paid with credit cards. Ticket receipts are faxed or mailed to the ticket purchasers and boarding passes are picked-up at the airport.

Interprovincial Airlines launched a new scheduled air freighter service between Goose Bay and St. John's, NF, on September 9, 1996. Freight is checked in through the Air Canada/Air Nova system with Interprovincial operating the aircraft. Previously, freight destined for Goose Bay was shipped after the passengers were accommodated and much of it would not arrive the same day.

Construction began in September on a new cargo apron for the Moncton airport to meet the expanding needs of the air freight industry. The amount of air freight moving through the Moncton Airport increased from 1.2 million kilograms in 1988 to 10 million kilograms in 1995. Two firms — Purolator Courier and Federal Express — plan to establish permanent cargo handling centres at the airport, totaling more than 6,300 square metres and costing more than $5 million.

On December 6, 1996, Air Nova announced that it would suspend its flight between Yarmouth and Boston effective with January 6, 1997. The realigned service offers four non-stop flights from Halifax to Boston. A daily flight from Yarmouth to Halifax is provided to connect with a Boston flight at the same overall rate.

The new Shearwater-based airline, Maritime Global Airlines, suspended operations in January, 1997, before carrying a single kilogram of cargo. Maritime Global could not obtain an operating certificate from Transport Canada for its two Convair 580 planes. Under government guidelines if the parts for an aircraft cannot be traced back to its origin, then a operating license cannot be granted.

## Highway

There have been several events during the past year that have influenced the highway system in Atlantic Canada. Most notably have been the large scale infrastructure projects of the Confederation Bridge, linking New Brunswick and Prince Edward Island, the Western Alignment of Highway 104 in Nova Scotia, and the Fredericton to Moncton highway in New Brunswick. These three projects are covered in detail beginning on page 28.

The Province of Newfoundland and Labrador continued to press for funding for an all-weather transportation system for Labrador. In a November, 1996, statement, Works, Services and Transportation Minister Julie Bettney, stressed the provincial government's recognition of the current highway infrastructure in Labrador as being inadequate and, in many cases, non-existent. Accordingly, they began negotiations with the federal government with a view towards developing a partnership on this issue. In order to facilitate this highway development, the province would agree to accept operational responsibility for the Labrador marine services and the associated wharves and facilities now operated by the federal government. In return, the federal government would provide sufficient funding to allow the construction of the highway project.

The proposal for an all-weather highway is divided into three stages of development. First, the province proposes to upgrade the road from Churchill Falls to Happy Valley-Goose Bay to a high standard gravel surface highway and commence construction from Red Bay to Cartwright. Second, they will link coastal communities with the highway at Red Bay. This will mean completing the construction between Red Bay and Cartwright with community access roads. The coastal marine service from Red Bay to Cartwright would then be ended. The third and final phase will involve connecting Cartwright to Goose Bay. The Blanc Sablon-St. Barbe ferry service will continue and the marine service on the North Labrador Coast would be provided by one passenger/freighter.

An expansion to the Angus MacDonald bridge linking Halifax and Dartmouth, NS, is expected to begin in 1997. At the time of writing, tenders were being reviewed to select a contractor. Plans for the bridge include:

- a replacement deck
- expansion of the roadway to accommodate a third lane of traffic
- new approach ramps
- a new sidewalk
- a new bicycle lane

The total project is expected to cost an estimated $52 million, but generate $125 million in economic activity.

## Marine

On September 19, 1996, Transport Minister David Anderson introduced the Carriage of Passengers by Water Act in the House of Commons. The new act will establish shipowners' liability for the carriage of passengers by water in Canada. The legislation is based on the provisions of an international convention on shipowners' liability — the 1974 Athens Convention, and its 1990 protocol.

The new Act will:

- eliminate contractual exemptions from liability
- strike a balance between the interests of carriers and passengers, while facilitating prompt settlement of claims

- limit liability, thus providing carriers and their insurers with a degree of certainty with respect to the extent of potential liability
- establish a procedure for adjustments to liability limits over time to reflect the rate of inflation

The above legislation is required as there are currently no specific provisions in Canadian law that establish the basis for shipowners' liability for either the loss of life of, or personal injury to, passengers traveling by ship. Likewise, there is no Canadian legislation that prevents shipowners from limiting liability by inserting clauses in contracts of carriage.

Transport Minister Anderson and a group representing the St. Lawrence Seaway's major users announced during 1996 the signing of a letter of intent to establish a not-for-profit corporation to operate the St. Lawrence Seaway System. The National Marine Policy announced in December, 1995, spelled out the federal government's commitment to commercialize the operations of the St. Lawrence Seaway System. The following are some of the highlights of the agreement:

- management and operation of the Seaway to be assumed by a not-for-profit corporation established pursuant of the Canada Marine Act
- the Crown to retain ownership of all Seaway fixed assets including Seaway lands
- incentives to be included for the corporation to significantly reduce operating costs
- provisions to be included in the final agreement to protect the not-for-profit corporation from the impact of extraordinary costs
- the initial term of the agreement to be 10 years, with provisions for extension upon mutual agreement

The agreement was not finalized by the original target date of January 1, 1997, and no new effective date has been announced at the time of this writing.

International shipping services calling at Atlantic Canada ports made some changes during 1996. The major changes are summarized below:

Maersk Line and Sea-Land Services Inc. began a new fixed day service to Halifax during July, 1996. The service employs 14 vessels each with a capacity of 4,000 containers. Halifax is the first North American port of call, followed by Newark, Norfolk and Charleston. Overseas service include the Mediterranean, the Indian Subcontinent, the Middle East and Asia.

Zim Israel Navigation Co. expanded its Gulf of Mexico/Caribbean feeder services. The Gulf service now has two 730-TEU vessels on a weekly rotation of Kingston, Vera Cruz and Tampico; on alternate calls, Houston, New Orleans and Kingston. The Caribbean service has a single 600-TEU ship operating on an eight-day frequency to Kingston, San Juan, Santo Domingo and Port au Prince. These feeding vessels connect to the main liner services at the regional center in Kingston, Jamaica, including Zim's Far East service which calls at Halifax every eight to nine days.

POL-Atlantic withdrew as a member of the following conferences effective November 1, 1996: Canada-United Kingdom Freight Conference, Canadian North Atlantic Westbound Freight Conference, Canadian Continental Eastbound Freight Conference and Continental Canadian Westbound Freight Conference.

The Nova Scotia government announced funding during November, 1996, to establish the Strait of Canso Superport Authority, as the second phase of a project started by the Strait-Highlands Regional Development Agency. The Authority will market, develop, manage and operate the functions of the Strait of Canso Superport. Phase one of the project included a review of port plans, policies, promotional efforts and operations, and establishment of an advisory committee to develop the new Superport Authority.

The Halifax Port Corporation spent approximately $5 million during 1996 redeveloping its Pier A Terminal at Ocean Terminals. The project improved the functionality of the terminal by creating an additional deep-water berth; permitting more efficient cargo handling; thereby enabling the port to handle a growing volume of breakbulk cargo. The development included construction of a new 60,000 sq. ft. shed facility. The Board of Directors further approved a capital investment of $46.3 million to be spent over the next five years. Major projects include $5 million for the construction of a new forest products facility; $6 million for container terminal upgrading to accommodate post-panameax cranes; $5 million for wharf reconstruction at Pier 9A; $11 million for maintenance projects at the two container terminals; and $2.5 million for grain elevator upgrading and facility restoration.

Traffic handled at Ports Canada ports in Atlantic Canada during 1996 is summarized in *Table 1*. The Port of Saint John recorded impressive increases in all categories of cargo, with an overall increase of 11.77%. Commodity increases included salt 53%, forest products 22%, sugar 15%, petroleum 11%, and potash 8%. The Port of Halifax reported continued growth in container traffic during 1996, mainly attributable to its advantage to the American Midwest via the Sarnia-Port Huron Tunnel. General cargo was aided by an increase of nearly 20% in forest projects. The Port of St. John's recorded an overall decrease in volume of 3.89% attributed to the winding down of the Hibernia oil project. Traffic at the Port of Belledune decreased by 11.77% due to smaller volumes of fertilizer and coal.

*Table 1*

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

| Calendar Year | Saint John | Halifax | St. John's | Belledune | Total |
|---|---|---|---|---|---|
| | | | **ALL CARGO** | | |
| 1996 | 21,022,582 | 12,935,122 | 832,455 | 1,391,648 | 36,181,807 |
| 1995 | ♦18,808,599 | 13,020,786 | 866,191 | 1,575,307 | 34,270,883 |
| Variance | 2,213,983 | (85,664) | (33,736) | (183,659) | 1,910,924 |
| % Change | 11.77% | -0.66% | -3.89% | -11.66% | 5.58% |
| | | | **GENERAL OTHER CARGO*** | | |
| 1996 | 1,132,476 | 418,771 | 104,716 | — | 1,655,963 |
| 1995 | 952,973 | 410,430 | 97,463 | — | 1,460,866 |
| Variance | 179,503 | 8,341 | 7,253 | — | 195,097 |
| % Change | 18.84% | 2.03% | 7.44% | — | 13.35% |
| | | | **CONTAINER CARGO** | | |
| 1996 | 234,229 | 3,178,392 | 342,278 | — | 3,754,899 |
| 1995 | 200,837 | 3,134,781 | 334,869 | — | 3,670,487 |
| Variance | 33,392 | 43,611 | 7,409 | — | 84,412 |
| % Change | 16.63% | 1.39% | 2.21% | — | 2.30% |

* Excludes bulk cargo
♦ Revised Total

**Source:** Canada Ports Corporation

## Ferries

Transport Canada issued a request for proposals during June of 1996 to commercialize the Marine Atlantic Bluenose service between Yarmouth, NS, and Bar Harbor, ME, as well as the Prince of Acadia service between Saint John, NB, and Digby, NS. Marine Atlantic curtailed operation of the Bluenose service in early January, 1997, and a new operator will take over both services effective April 1, 1997. Further details are provided beginning on page 18 of this report.

Statistics for the major ferry operations in Atlantic Canada during 1996 are compared with the previous year and illustrated in *Table 2.* Marine Atlantic services are highlighted by increased traffic between Cape Tormentine/Borden, attributed to construction of the Confederation Bridge; and decreased traffic on the two services scheduled to be taken over by private operators in early 1997. Traffic totals on the independent ferry services for 1996 were comparable with the previous year, except for truck traffic between Yarmouth and Portland which was down 19.6%.

*Table 2*

## ATLANTIC CANADA FERRY OPERATING STATISTICS

| SERVICE | YEAR | TRIPS | PASSENGERS | | AUTOMOBILES & PICK-UP TRUCKS | | TRUCKS & TRACTOR TRAILERS | |
|---|---|---|---|---|---|---|---|---|
| **MARINE ATLANTIC SERVICES** | | | | | | | | |
| Cape Tormentine - | 1996 | 15,230 | 2,055,040 | 7.2% | 715,858 | 6.0% | 200,831 | 13.0% |
| Borden | 1995 | 14,272 | 1,917,008 | | 675,406 | | 177,775 | |
| North Sydney - | 1996 | 1,554 | 358,751 | -5.0% | 102,068 | -3.1% | 66,438 | 1.2% |
| Port aux Basques | 1995 | 1,621 | 377,587 | | 105,357 | | 65,669 | |
| North Sydney - | 1996 | 70 | 38,158 | 4.2% | 10,912 | 5.0% | 276 | 19.0% |
| Argentia (1) | 1995 | 62 | 36,607 | | 10,391 | | 232 | |
| Yarmouth - | 1996 | 316 | 98,116 | -18.1% | 24,381 | -18.1% | 1,367 | -52.7% |
| Bar Harbour | 1995 | 372 | 119,813 | | 29,774 | | 2,888 | |
| Saint John - | 1996 | 1,478 | 195,952 | -5.5% | 52,243 | -5.9% | 22,329 | -5.0% |
| Digby | 1995 | 1,473 | 207,419 | | 55,536 | | 23,502 | |
| **NORTHUMBERLAND FERRIES LIMITED** | | | | | | | | |
| Wood Island - | 1996 | 4,891 | #277,024 | -0.6% | 183,810 | -1.7% | 29,424 | 9.9% |
| Caribou (2) | 1995 | 5,189 | #278,579 | | 186,916 | | 26,780 | |
| **PRINCE OF FUNDY CRUISES LIMITED** | | | | | | | | |
| Yarmouth - | 1996 | 322 | 145,956 | -2.5% | 25,453 | 2.8% | 506 | -19.6% |
| Portland (3) | 1995 | 310 | 149,698 | | 24,768 | | 629 | |
| **NORTHERN CRUISER LIMITED** | | | | | | | | |
| St. Barbe - | 1996 | 892 | 39,878 | 6.8% | 13,567 | 4.2% | 1,865 | 2.0% |
| Blanc Sablon (4) | 1995 | 848 | 37,323 | | 13,020 | | 1,829 | |

(1) 1996 operated June 21 to September 13
1995 operated June 16 to September 30

(2) 1996 operated May 1 to December 23
1995 operated May 5 to December 18

(3) 1996 operated May 2 to October 27
1995 operated May 4 to October 22

(4) 1996 operated May 1 to January 3, 1997
1995 operated May 23 to January 3, 1996

# From Wood Islands only due to implementation of fare system which collects on one direction of travel only.

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

## CANADIAN COAST GUARD MARINE SERVICES FEE

The Marine Services Fee issue continued to be a hot topic during 1996. As was reported last year and dating back to October of 1995, the initial proposal of a fee structure to recover some of the cost related to navigational aids and ice-breaking provided by the Canadian Coast Guard was met with a storm of protest from the Atlantic Region and across the country.

Following consultations, in early January of 1996, the Coast Guard announced a number of so-called "basic principles of a marine user fee" and also released a consultant's report which concluded that the impact of the proposed fee could be absorbed by the commercial shipping industry. The basic principles developed by the Marine Advisory Board included: separate fees for aids to navigation and for ice-breaking; separate fee structures for the West Coast and Eastern Canada; incentives for environmental practices such as double-hulling and upgraded navigational systems on vessels; and caps on ferry operators and coasting trade vessels required to make frequent port calls.

Several modified fee proposals and a number of consultations by the Canadian Coast Guard and the Department of Fisheries and Oceans failed to provide a consensus on how the fees should be implemented or the impact the fees would have on the Atlantic Region.

Through this whole process, the APTC stressed the importance of having industry input. Due to the lack of consensus within the region on an appropriate charging mechanism for marine services, the APTC refrained from commenting on the merits of any of the specific proposals.

In the early part of 1996, after intensive efforts by the APTC, provincial governments and other interested organizations, modifications were made to the membership of the Marine Advisory Board to ensure representation from all regions of Canada. In addition, an impact study was commissioned, which was to include a socio-economic impact analysis of the navigation fee and the ice-breaking fee structures, and a review of the cumulative impact of cost recovery and cost-cutting measures on the marine sector.

### Navigational Aids Fee

Despite the controversy and protests from industry and the Province of Nova Scotia, the Honourable Fred Mifflin, Federal Fisheries and Oceans

Minister, announced the implementation of a marine services fee for Aids to Navigation, effective with June 1, 1996, which included:

- A separate fee structure applying to each of three geographically defined areas, Atlantic Canada, Central and Laurentian, and the West Coast reflecting the unique nature of the commercial shipping activity and services provided in each region.

- Revenues generated from each region are based on their share of the actual costs for providing aids to navigation.

- In the Atlantic Region, foreign flag vessels are charged 17.6 cents per tonne of loaded and unloaded at ports with a cap of 50,000 tonnes. In the Central and Laurentian Region, the rate is 14 cents per tonne. Bulk cargo that is carried in two or more vessels in order to reach final destination port, without intermediate processing, will only pay once, for instance, grain shipped from Thunder Bay destined for overseas markets.

- In the Atlantic Region and Central and Laurentian Region, foreign flag cruise ships pay a flat fee of $845 per call at a Canadian port to a maximum of 3 calls per month. Canadian flag vessels in the Atlantic Region and in the Central and Laurentian Region pay an annual fee of $3.40 per Gross Registered Tonnage (GRT).

- On the West Coast, foreign flag vessels pay a flat fee of $640 per vessel as well as a fee of 2.8 cents per GRT. Domestic flag vessels larger than 1,000 GRT pay an annual flat fee of $5,900 per vessel plus 29 cents per GRT. Tugs between 5 GRT and 1,000 GRT and other domestic flag vessels between 15 GRT and 1,000 GRT pay an annual flat fee of $300 plus $5 per GRT and all others pay an annual rate of $150.

- The fee is charged to the vessel to help discipline the demand for services and facilitate future cost reductions.

- Incentives for practices such as double-hulling and upgraded navigational systems are incorporated to encourage environmentally-friendly practices and promote a safer and more efficient marine transportation system.

## Ice-Breaking Fees

The ice-breaking sub-committee of the national Marine Advisory Board held several meetings during 1996. Ice-breaking fee proposals, which are to be developed from input of this sub-committee, will be communicated to all regions where ice-breaking operations are required. The basis for splitting the recovery between a transit-based fee structure and an hourly escort-based fee schedule will form part of the upcoming discussions.

As of the writing of this report, proposed fees which were to be implemented with year two of the cost recovery initiative, starting with the ice-breaking season in December of 1997, have yet to be presented and indications are that it could be some time before details are released.

## Regional Advisory Boards

The long consultations that preceded the implementation of the new services fee stressed the need for a cooperative approach to shipping concerns. In the region, two regional advisory boards were established to work with the Canadian Coast Guard on shipping matters. The Maritime Seacoast Advisory Board and the Newfoundland Marine Advisory Board are regionally-focused groups representing commercial shipping interests throughout the Atlantic Region. They are a local forum for joint Coast Guard-commercial shipping industry consultation.

A priority of the new Boards was to modify the navigation aids fee formula for the next fiscal year.

As a result of ongoing consultations and several meetings, in early December, 1996, the Maritime Seacoast Advisory Board submitted their recommendations on the Navigational Aids Marine Services Fee for the Seacoast Region for the 1997/98 fiscal year.

Among a number of points raised by the Board were concerns regarding the subsidization of Newfoundland by Maritimes industries and the problem existing in the Miramichi area of the high costs incurred in relation to the cargo tonnage moving through the port.

The rates proposed for the fiscal year 1997/98 follow, with a recommendation that consideration of a rate structure for sub-zones be deferred until next year:

- Ferry Operators — $800,000 (as allocated by ferry operators)
- Coast Traders — $160,000 (based on monthly GRT)
- Cruise Ships — $160,000 (two tier category)
- Domestic flag — Eastern Canadian rate per GRT per year (Coast Guard to confirm estimated to be $4.48)

- Foreign flag — (Cost per tonne of cargo loaded/unloaded) Bay of Fundy - $0.022

  Eastern Nova Scotia - $0.043

  PEI/Northumberland - $0.128

  Bay of Chaleur - $0.034

  Foreign flag rates capped at a maximum of 50,000 tonnes times the area rate an a minimum of $250 per port call (regardless of cargo loaded/unloaded). Foreign flag vessels under 100 MT will have the option of paying the Domestic annual rate.

At year end, there has been no decision regarding the recommendations put forward by the MSAB or any other organization. Indications are that a decision may take longer than originally anticipated.

## Economic Impact Study of Major Marine Initiatives

In consultation with industry, through the Marine Advisory Board and in keeping with the report of the Standing Committee on Fisheries & Oceans, the Canadian Coast Guard commissioned a comprehensive economic impact study. The purpose of the study was two fold:

1. To assess the global impacts of the seven initiatives of federal maritime reform, namely:
   - fee for navigational aids
   - fee for ice-breaking
   - port reform
   - withdrawal of government from dredging
   - private sector emergency response organization fees
   - commercialization of the St. Lawrence Seaway
   - possible pilotage fee increase
2. To evaluate more specifically the anticipated effects of the fees for marine navigation and ice-breaking services of the Coast Guard.

Concern was expressed in Atlantic Canada that the study being carried out was only a "watered down" version of what had been earlier agreed upon by the

Coast Guard, as it would not include any socio-economic analysis and would only look for traffic disruption as a consequence of the fee structure.

The study was to provide case studies of 15 critical commodity flows.

The final draft of the Economic Impact Study undertaken by the Hickling Management consultants, as commissioned by the Canadian Coast Guard, was provided to the Minister in the latter part of 1996. Although anticipated to be released by December 9, 1996, as of the writing of this report, the study has not yet been put forward to the Parliamentary Committee.

The delay has been attributed to the fact that the Minister was not satisfied with portions of the report and is looking at trying to clarify some of its findings.

## PORT PRIVATIZATION

Transport Canada began the divestiture of a number of local and regional ports in Atlantic Canada during 1996. This policy, which is part of a larger reorganization of port administration in Canada under the National Marine Policy, will affect approximately 88 ports in the Atlantic Provinces. In addition to those ports which are being offered for sale, another 144 ports in the region were de-proclaimed. Their status as a "public harbor" was terminated on June 20, 1996, by Order-in-Council 1996-905. Many of these de-proclaimed ports had no Transport Canada facilities and none of them had recorded any commercial traffic in the previous five years.

Under the National Marine Policy, local and regional ports will be sold to provincial or municipal governments, community organizations and private interests, or, in a few cases, transferred to other federal government departments. A port assistance fund of $125 million is available to assist in the transfer to local control. The fund will be available, on a first come-first served basis, for the upgrading of necessary facilities; to cover a portion of the costs of environmental clean-up or safety measures necessary due to the transfer; or to assist community groups achieve cost savings by a rationalization of facilities.

Reaction to the policy has been mixed throughout the region. A number of communities have viewed the policy as an opportunity to obtain local control of infrastructure which they view as vital to the economy of their community. Local committees have been established and the federal government notified that they are prepared to discuss the transfer of local port facilities and access a share of the assistance fund. Two ports, St. Lawrence, Nfld., and Weymouth, NS, were sold to private interests in 1996. Other communities, already reeling from reduced provincial government funding, are leery of assuming the high costs and risks associated with owning and operating marine facilities. This is particularly true in those communities which are faced with similar circumstances concerning fisheries facilities or airports. Commercial traffic and revenues at many of these ports are insufficient to pay for the costs of operating and maintaining the facilities. Provincial governments are reluctant to become involved in a matter which they view as a federal government responsibility.

While there is no doubt that excess capacity exists with regard to port infrastructure and facilities in Atlantic Canada, this policy is being pursued by the federal government solely for purposes of cost reduction. Little thought or concern has been given to the long term consequences or the cumulative effect of divestiture and cost recovery policies for transportation facilities and services. The combined effect on the economy of the region, of these and similar policies being implemented at the same time by many other federal government departments and agencies, is unknown. If the net result is that costs are simply transferred from one level of government to another or to the user, with no real reduction in total costs for users of the system, nothing will have been gained. If the changes result in added costs for users, thereby jeopardizing the competitive position of Atlantic Canadian products on global markets, economic activity in the region will suffer. To date, there is no indication of any reduction in total costs for users of the system.

The APTC believes that transportation services and facilities can be more efficiently operated by business than by government in most cases. Competition and market forces should be the primary factors in determining the level of service provided and will generally lead to a more efficient system. A rationalization of port facilities in Atlantic Canada is long overdue given the level and type of traffic currently available. However, a planned rationalization based on current and forecasted future traffic flows, and taking into account the impact of the changes on economic activity and the competitiveness of Atlantic Canadian industry, would have been preferable to the ad hoc approach being taken. Some ports in the region will close, while others will see increased traffic. Highway improvements, the opening of the Confederation Bridge, advances in transportation technology and intermodal options will all contribute to changes in traffic flows. Manufacturers and producers in Atlantic Canada require the most efficient transportation service possible to enable them to be competitive on global markets.

## NATIONAL AIRPORTS POLICY

Since the introduction of the National Airports Policy by the federal government in 1994, the process of transferring airports and airport services to private interests has been ongoing. Since the writing of the 1995-96 Transportation Review, a number of Atlantic Region airports have been involved in the transfer process. Deer Lake, Gander, Goose Bay, St. John's and Wabush in Newfoundland and Yarmouth in Nova Scotia signed Letters of Intent with the federal government which officially begins the transfer negotiations with the airport interests and the government.

Airports at St. Leonard and Miramichi, NB, and Churchill Falls, Nfld., were transferred to local control during the year in review.

The transfer of Canada's civil air navigation system from Transport Canada to NAV Canada took place in October, 1996. As part of the transfer, Transport Canada established safety regulations and standards that apply to the new corporation. Transport Canada will be responsible to monitor NAV Canada operations to ensure compliance to these regulations and the continued provision of air navigation services to the northerly and remote communities. The transfer agreement included a $1.5 billion payment to the federal government.

Canada's air navigation system provides air traffic control services, flight information for pilots, navigational aids, and the management of airspace under Canadian control.

Communities have faced extreme difficulty in negotiating a transfer that will allow sufficient return to the local airport to ensure long term viability. The lease agreements demanded by Transport Canada are found to be so onerous that the negotiations often end in a stalemate. Transport Canada has attempted to address this issue by recently announcing measures to ensure greater flexibility in implementing the National Airports Policy. The measures are intended to show more flexibility in negotiating lease arrangements at major airports with Canadian Airport Authorities. These measures include:

- More flexible payments. Rather than pay for airport chattels (the movable property) in one lump sum for example, Canadian Airport Authorities may be permitted to make a series of payments over a few years. The government would not charge interest on such payments.

- A rent free period for smaller National Airports System sites. Transport Canada will also cap the base rent payable by a given Canadian Airport Authority once a specified passenger traffic level has been achieved.
- Factoring increased overhead costs during the first two years of operation into the lease, thus helping to offset initial transition start-up expenses on the part of Canadian Airport Authorities.
- For smaller airport communities, Transport Canada will seek greater flexibility from Treasury Board in the prerequisites for access to the $35 million Airports Capital Assistance Program (ACAP). Under the ACAP, airports may apply for funding toward safety-related airside capital projects, such as runways and taxiways. At present, airports that receive a federal operating subsidy cannot apply for ACAP funding. Transport Canada intents to drop this requirement for recently transferred airports that are continuing to receive a federal subsidy in the short-term. As well, the range of projects that may be funded through ACAP will be increased.

## FERRY SERVICE PRIVATIZATION

The federal government continued to follow its plan to withdraw from the operation of transportation services and facilities during 1996. Tenders were called for the operation of the major ferry services between Saint John, NB, and Digby, NS, as well as between Yarmouth, NS, and Bar Harbor, ME.

Discussions continued with the Government of Newfoundland and Labrador concerning the Labrador coastal services provided by Marine Atlantic.

### Bay of Fundy Services

The Minister of Transport announced on June 25, 1996, that the federal government would accept proposals from commercial operators for the operation of the two Marine Atlantic ferry services in the Bay of Fundy. The call for proposals indicated that Transport Canada was looking for a commercial operator to enter into a minimum five-year contract with extension options. The federal government would pay a subsidy to the successful bidder for the first three years of the initial five-year agreement. Subsidies would be eliminated for the fourth and subsequent years. The existing Marine Atlantic vessels were offered for use but other options were invited for consideration.

Following this announcement, the Saint John Board of Trade and the Digby Ferry Project Team created a joint task force with the objective of rising awareness of the importance of the ferry service to the local economies of both communities. The joint task force held a very successful one-day information forum in Digby on August 8, 1996, This forum increased the awareness of the importance of the Saint John-Digby ferry service to the economy of both communities and to the tourism sector and commercial trucking industry. The forum was well attended by municipal, provincial and federal politicians, as well as many other interested individuals, and trade groups from both Nova Scotia and New Brunswick.

As a result of the "request for proposals", Transport Canada received a number of expressions of interest from potential operators and four firm bids for the Saint John-Digby and the Yarmouth-Bar Harbor services. On November 7, 1996, Transport Minister Anderson announced that NFL Holdings Ltd. of Charlottetown was selected as the private sector operator for both the services. Negotiations began with NFL Holdings to confirm operating schedules and transfer of operations. NFL Holdings also operates Northumberland Ferries, a seasonal service between Prince Edward Island and Nova Scotia. The transfer was scheduled for April 1, 1997.

The operating season for the Yarmouth-Bar Harbor ferry service was extended for three months following an agreement between the federal government and the Province of Nova Scotia. The service had been scheduled to end its season on October 14, 1996, but this was extended for three months to January 12, 1997. The funding of approximately $1 million for the service extension was shared two-thirds by the federal government and one-third by the provincial government.

The APTC supports the initiatives of the federal government to improve the efficiency of the transportation system in Canada by having the system operate in a more commercial fashion and allowing market forces and competition to play a greater role in determining the level of services provided. Generally, transportation services and facilities can be more efficiently and effectively operated by the private sector. However, the federal government must also indicate a commitment to ensure the long-term provision of those services which have a significant impact on local or regional economic activity. Such a commitment has not yet been forthcoming.

# CANADA MARINE ACT — BILL C-44

Bill C-44, the Canada Marine Act, was introduced in Parliament on June 10, 1996.

Upon passage, this legislation is intended to implement the federal government's National Marine Policy, announced in December, 1995, which called for modernization of the marine management and regulatory environment leading to greater efficiency and effectiveness in the marine transportation sector.

Provisions of the Act intend to:

- create a comprehensive piece of legislation governing the marine sector in Canada
- improve the effectiveness of Canada's major ports by creating a National Ports System made up of independently managed Canada Port Authorities (CPAs)
- streamline the regulatory regime for the new CPAs and other ports currently under Transport Canada administration
- dissolve Canada Ports Corp., thereby reducing bureaucratic red tap and overhead costs
- repeal the Public Harbours and Ports Facilities Act and providing the Minister with a range of options for commercializing public ports, including divestiture
- allow commercialization of the operations of the St. Lawrence Seaway
- permit agreements with the private sector or other levels of government for the continuation of ferry services currently provided by Marine Atlantic, and permit the corporation to dispose of its assets
- overhaul the marine pilotage system

A motion to refer the Bill to the House of Commons Standing Committee on Transport (SCOT) before second reading was adopted on October 1, 1996.

In a submission to SCOT, the APTC expressed its support for federal government initiatives to increase efficiency and reduce costs of the marine transportation system. The APTC also stressed the necessary administrative reform within the federal government that must follow.

The need for the federal government to recognize and support the natural and geographical advantages of specific ports was put forward by the APTC. Market forces and competition must be allowed to be prime factors in determining the level of service provided. The necessary level of autonomy must be provided to Atlantic ports to allow them to respond quickly to market opportunities.

The Committee held public hearings in selected locations across Canada in October and November, including a meeting in Halifax, NS, on October 10, 1996. The APTC appeared before the Committee in Halifax reiterating its earlier submission.

SCOT reported back to the House with amendments on November 20, 1996. Many of the SCOT recommendations will affect the sections of the Bill pertaining to port commercialization and the overhaul of the pilotage authorities. The Bill will also set the stage for the private sector operation of the St. Lawrence Seaway.

On the port issues, the recommended changes to the legislation would give the individual Canada Port Authorities federal agency status, which means they will be able to pay grants in lieu of property taxes. As well, the amount of annual stipend the government will charge a Port Authority will be negotiated when the Authorities are officially established. In addition, the Boards of Directors of the Port Authorities would have between seven and 11 members and would be responsible for electing the Chairman.

Reactions to the proposed amendments of SCOT have been mixed in Atlantic Canada. Some view the amendments as backtracking from some of the autonomy proposals contained in the Policy paper. Others are supportive of the changes to retain federal agency status.

At year end, indications were that the Minister intended to introduce further amendments when the Bill comes up for second reading in the House of Commons.

## CANADA TRANSPORTATION ACT

The Canada Transportation Act was proclaimed and became effective on July 1, 1996. This Act, which repealed the National Transportation Act, 1987, further deregulated transportation in Canada. The Act significantly eased railway abandonment provisions in Canada. At the same time, a number of competitive access provisions for shippers were also revised, lessening protections from anti-competitive actions of carriers.

While the primary impact of the new Act was on the rail mode, significant changes also occurred in the air and marine modes. These changes streamlined and reduced the economic regulatory requirements on carriers. The legislation also created a new agency responsible for the economic regulation of transportation undertakings under federal jurisdiction.

The new Canadian Transportation Agency has two regulatory branches; Air and Accessible Transportation, and Rail and Marine. Two other branches provide legal and administrative functions.

The Air and Accessible Transportation branch is responsible for licensing domestic and foreign air carriers; implementing international air agreements; administering international air tariffs; and improving the accessibility of federally regulated transportation to persons with disabilities.

The Rail and Marine branch is responsible for developing rail costing standards and regulations; resolving disputes over service and rail complaints in the rail and marine modes; resolving disputes over railway infrastructure; and providing certificates of fitness for the operation of the railways.

The APTC is generally supportive of the federal government's reduction in economic regulation of the transportation system in Canada. The effects of the Canada Transportation Act will largely be felt in other regions of Canada. However, to the extent that the new legislation creates a more competitive and efficient transportation system and allows carriers to more quickly respond to marketplace demands, users of transportation services in Atlantic Canada will benefit. Users will continue to benefit so long as effective competition remains within the region and the transportation marketplace. In the absence of effective competition, there remains little effective regulation for users to fall back on.

## NOVA SCOTIA RAIL RATE CASE

On April 23, 1996, Halifax Grain Elevator Limited (HGE) complained to the National Transportation Agency that certain CN rail rates on feed grains from Ontario and Western Canada to Nova Scotia were prejudicial to the public interest. HGE asked that CN be required to remove the prejudicial features and to establish and maintain its rates at a level that would allow HGE to fairly compete for the traffic.

The request for an investigation into the rates was filed under Section 59 of the National Transportation Act, 1987. On July 1, 1996, the NTA, 1987, was repealed and replaced by the Canada Transportation Act which contains no provision similar to Section 59 of the NTA, 1987. However, transitional provisions of the CTA allowed any active matter being dealt with at the time to be continued under the provisions of the old Act.

The HGE argued that CN's rates on feed grain to Nova Scotia destinations were substantially less than those of the only alternative carrier. CN's rates were felt to be targeted toward HGE's market and deliberately designed to eliminate HGE from the marketplace. HGE claimed that CN's rates were representative of an acknowledged policy of CN to attract revenues to its eastern lines without regard to costs and represented a policy of CN to cross-subsidize unprofitable operations from profitable operations elsewhere. HGE submitted to the Agency that CN's rates in question were unreasonably low, anti-competitive and in violation of national transportation policy.

CN countered that the rates were based on market forces, were compensatory as required by the NTA, 1987, and were not predatory in nature. The Agency received approximately 15 submissions from various interested parties, many of which stressed the importance of maintaining competitive routing options for this traffic.

In conducting its investigation, the Agency confirmed that the published tariff rates in question had been reduced in October, 1994, and early 1995 by between 15% and 40%. The Agency also performed a cost analysis of the traffic in question. Based on the parameters utilized, the Agency found that some of the sample movements were compensatory, while others were only marginally non-compensatory.

In reaching its decision, the Agency concluded that the maintenance of a competitive situation is an overriding public interest issue. It felt that CN's rate action had a direct and damaging effect on HGE and would eventually result in the demise of the HGE. The Agency was of the view that, should this occur, shippers would have no protection from monopoly abuse. Consequently, the Agency found that the rates in question were prejudicial to the public interest. CN was ordered to remove the prejudicial features by increasing and maintaining the rates at a more competitive level.

# MOTOR VEHICLE WEIGHTS AND DIMENSIONS

The 1995-96 Transportation Review reported that the Eastern Task Force on Vehicle Weights and Dimensions had reached a final proposal. While the proposal was accepted by the Canadian Council of Motor Transport Administrators in the fall of 1995, the provincial Transport Ministers refused to sign mainly due to Ontario's refusal to accept the recommendations of the Task Force. The mandate of the Task Force was to pursue harmonization of vehicle weights and dimensions regulations in the Atlantic Provinces, Quebec and Ontario.

The delay caused by Ontario's refusal to sign was considered temporary pending further economic impact studies on the issue. However, at the time of this writing, the eastern provinces appear to be no closer to an agreement.

At an October 10, 1996, meeting in Charlottetown, PEI, the Council of Ministers Responsible for Transportation and Highway Safety discussed the matter of establishing more uniform weight and dimension standards nationally. As a result of this meeting, the Task Force on Vehicle Weights and Dimensions Policy was directed to develop a draft proposal for uniform national standards which could be considered by the Council of Ministers when it meets in Toronto next June. The proposal will aim to:

- resolve the existing differences in provincial policies which are true impediments to efficient highway freight transportation

- establish a government-industry partnership for coordination of future policy changes

As an initial step, the Task Force has provided for review and comments, a discussion paper which examines the current situation in Canada and suggests a possible course for developing and maintaining uniform standards. A meeting of the Task Force was held in Toronto in early February, 1997 with the purpose of discussing with interested parties their views regarding the discussion paper.

During the year in review, several eastern provinces introduced changes to regulations in their jurisdictions.

In June, 1996, Prince Edward Island joined the other Atlantic Provinces in implementing more uniform regulations in the operation of commercial vehicles on Island roads. The regulations, approved on May 30, 1996, included changes as follows:

- conversion of the Commercial Vehicle Weight Table from imperial to metric (Prince Edward Island is the only jurisdiction in the country using imperial weight measures)

- increase in the maximum length of commercial trailers to 16.2 meters

- transfer of 1,000 kilograms from the front axle weight to the rear tandem axle

- removal of the $100 annual permit fee for 16.2 meter commercial trailers

While the length of trailers has been increased, more stringent rules governing trailer requirements have also been put in place.

In December, 1996, the Quebec government announced proposed changes to the regulations governing the weight and dimension limits for certain types of heavy vehicles. The measures announced are a continuation of a comprehensive strategy which began in 1991 designed to encourage the use of safer, more productive vehicle types which will also reduce damage to the infrastructure.

Vehicles equipped with a tandem axle, six-axle tractor-trailer combinations, B-trains and long combination vehicles (restricted operations) are the main vehicle types covered by this reform. The following briefly outlines the proposed changes:

- Tandem axles — a standardized tandem axle load limit of 18,000 kg.

- Six-axle tractor-trailer combinations — encourages the use of semi-trailers equipped with three load equalized, fixed axles spaced 1.83 meters apart by increasing the limit for this axle configuration by 1,000 kg to 26,000 kg. The use of lift axles will be discouraged through a reduction in allowable weights.

- B-Trains — replace the two existing standards for the B-train combinations with a single standard by expanding the network of roads available to B-trains of a maximum length of 25 meters and gross weight of 62,500 kg beyond multi-lane divided highways to include two lane roads.

- Long Combination Vehicles — proposes to allow the use of one 16.15 meter (53 ft.) semi-trailer as part of a road train combination. There will be no change in the gross weight limit for road trains.

The proposed changes are subject to ratification by the Government of Quebec. If approved, the changes are expected to come into force in the summer of 1997. With most of these measures, Quebec would be harmonizing its standards with other provinces.

The Province of Nova Scotia continues to develop changes to their regulations to more closely harmonize with New Brunswick and initiate steps toward an Eastern Provinces agreement.

Ontario Bill 179 — Shipper Responsibility for Weight Violations — sets the stage for shippers and carriers to share the responsibility of compliance with Ontario's weight laws and poses to set a precedent for shippers of dense commodities throughout Canada. Bill 176 amends the Ontario Highway Traffic Act by making shippers accept responsibility when causing axle weight violations. Previously, shippers were only responsible for gross weight overloads. Truckers for many years had to assume full responsibility for overloading.

The weights and dimensions issue remains a hot topic in the transportation industry. The provincial governments are trying to ensure a long life for their infrastructure investments in bridges and roads while carriers attempt to maximize payload to attain efficiency and shippers try to reduce transportation costs in an extremely competitive economic environment. Striking the balance between these demands continues to be elusive. One wonders how successful efforts toward an national agreement will be when Eastern and Atlantic agreements remain a dream.

## CANADIAN UNIFORM BILL OF LADING PROPOSALS

The Canadian Council of Motor Transport Administrators (CCMTA) Task Force on Bills of Lading/Insurance released a draft of a proposed new Canadian Uniform Bill of Lading (CUBOL) in May of 1996. The CCMTA began work on this document under the belief that the Agreement on Internal Trade, signed by the federal government and all provinces in 1994, would eliminate the obligation to have bills of lading. Also, with the repeal of Part III of the federal Motor Vehicle Transport Act on July 1, 1996, it is felt by some that current provincial government regulations governing terms and conditions of carriage no longer apply to extra-provincial movements.

Terms and conditions of carriage of freight by motor carriers had been relatively uniform across Canada. However, deregulation of the motor carrier industry beginning in 1988 caused some provinces to amend or eliminate entirely their motor carrier acts. Some provinces completely eliminated terms and conditions of carriage in the process, while others transferred the requirements to other pieces of legislation; sometimes without amendment, in other cases with amendments. The result is that uniform terms and conditions of carriage no longer exist in regulations in Canada. The Atlantic Provinces are an example. Newfoundland and Labrador and Prince Edward Island no longer have any regulations or legislation covering terms and conditions of carriage or bill of lading requirements. Nova Scotia amended its terms and conditions of carriage upon their transfer to the Motor Vehicle Act. It now has different requirements than does New Brunswick, which transferred its regulations from the Motor Carrier Act to its Motor Vehicle Act unamended. Despite differences, the major liability limits remain similar.

The draft proposed by the Task Force in May, 1996, contained significant changes in wording and liability provisions which would affect both shippers and carriers. The APTC and several other national trade associations became aware of these proposals in August, 1996, and immediately contacted the Task Force to express concerns with the draft and the process by which it was developed. A major concern was the lack of input by those most affected by the proposals, i.e., shippers. Neither the APTC nor any other shipper, manufacturer or trade group in Atlantic Canada was aware of or had an opportunity to participate in the discussions to develop the proposed CUBOL.

The APTC also found the terms of the CUBOL to be poorly drafted, vague and lacking in recognition of legal precedence. Existing bills of lading and terms and conditions of carriage are not causing significant problems. The APTC does not accept the need to depart significantly from existing statutory conditions of carriage at this point in time. Terms and conditions of carriage are being developed under the terms of NAFTA. The need to proceed with a CUBOL as an interim document is questionable. The magnitude of the proposed changes, particularly with regard to liability, is such that it is unlikely that shippers would accept them.

As a result of these and similar concerns raised by several national trade associations, in particular the Canadian Pulp & Paper Association, the Task Force tabled a fifth report to the CCMTA in October, 1996. That report concluded that industry still wanted a bill of lading after 1998; the mandate of the project group is to propose legislative changes required; and that no consensus had been achieved concerning the draft CUBOL. The report recommended that the provinces evaluate the legislative changes necessary to retain the current bill of lading; the project group be mandated to achieve a consensus in favour of the establishment of new uniform terms and conditions of carriage; and that the provinces commit themselves to put the CUBOL in place as soon as a consensus has been reached.

This report raised an immediate storm of protest from the major trade associations involved. The shippers' organizations have not been offered a reasonable explanation and remain unconvinced of the need for any changes in the terms and conditions of carriage, particularly in the absence of any evidence of problems. There does not seem to be any great need to proceed with a CUBOL in advance of an agreement on a NAFTA document. In addition, the APTC has put forth the view that bills of lading and terms and conditions of carriage are commercial documents and, in the deregulated transportation environment which exists in North America, they need not be contained in legislation or regulations. Industry, through the various shipper and carrier trade associations, can agree on a standard. The endorsement of major trade groups will cause the document to become widely used. The terms and conditions will be applied at common law as part of the contract of carriage.

The Task Force now intends to solicit the views of a wider group of stakeholders.

## INFRASTRUCTURE

Proper transportation infrastructure is critical to continued economic development. Faced with limited funds from both federal and provincial sources, governments have, in recent years, had to think of alternative financing methods. The preferred method on three large scale projects in this region has been public-private partnerships. Three such projects, in various stages of completion, continued in 1996.

### PEI Fixed Link

The first large scale project financed by a public-private partnership has been the Confederation Bridge between the provinces of Prince Edward Island (PEI) and New Brunswick (NB). The final structural element for the bridge was set in place on November 19, 1996. With the placement of this component, the 12.9 km bridge physically connects the province of PEI with mainland NB for the first time. Installation of other necessary pieces of infrastructure (such as, the toll booth plaza, guardrails, concrete medians and signage) are expected to be complete by the June 1, 1997, opening.

Under the terms of PEI's entry into Confederation in 1873, the Government of Canada is obligated to provide continuous and efficient, year-round transportation for people, goods, and services between PEI and the mainland. Since that time, a ferry service has been used to link PEI with NB. After several attempts over many years to come to an agreement to build a fixed link, a deal was reached between the Government of Canada and Strait Crossing Development Inc., to design, build, finance and operate a structure linking the provinces of PEI and NB.

> *... the Government of Canada and the Developer, Strait Crossing Development Inc., have entered into agreements whereby the Developer will design, build, finance and operate a bridge traversing the Northumberland Strait between Jourimain Island in the Province of New Brunswick and Borden Point in the Province of Prince Edward Island ...*

In 1987, the Government of Canada issued a proposal call challenging the private sector to devise an environmentally, technically and financially sound alternative to the current ferry system. The successful proposal was to be one that would not place public funds at risk and would result in a "net cost savings" for the government of Canada. Strait Crossing devised a competitive financial solution that places 100% of the completion risk with the Developer, Strait Crossing Development Inc. This results in a fixed cost to the Government and the Canadian taxpayer during Strait Crossing's operating period, 1997 until 2032, after which time ownership of the bridge will be transferred to the government. A net cost savings to the taxpayer will be realized for 65 years beyond the Developer's operating period by eliminating the costs associated with operating, maintaining and replacing the ferries and docking facilities.

The construction cost of the bridge has been fully financed in Canadian capital markets by Strait Crossing through the issue of real rate bonds which are fully indexed to inflation with a guaranteed rate of return. The only public funding committed to the project is an annual payment by the Government to the bondholders for $42 million (1992 dollars) over 35 years. This amount is equal to the annual avoidable cost of the ferry system.

## *Operating Costs and Features*

Strait Crossing is responsible for 100% of all costs of the facility during its 35-year period, 1997 until 2032, as owner-operator. In 2032, ownership of the facility will be turned over to the Government of Canada.

The Confederation Bridge will carry two lanes of traffic, 24 hours a day. It will take approximately 12 minutes to cross the bridge at normal operating speeds providing an unprecedented level of service and accessibility between Prince Edward Island and the mainland.

### *Toll Rates and Collection*

Although the toll rate has not been approved by the Government of Canada at the time of this writing, it is expected the toll rate will approximate the current rate of the ferry service. Annual toll rate increases will not be permitted to exceed 75% of the consumer price index. The real cost to the user will actually be reduced during the operation of the bridge in 1992 constant dollars.

The toll will be paid on a round-trip basis upon exiting PEI. There will be a total of seven toll lanes — one self-serve and six operated by toll collectors. The self-serve lane will be open 24 hours a day and the collector operated lanes will be operational on a demand driven basis.

The APTC has been a strong supporter of the fixed link. Both shippers and carriers will benefit from the link. Shippers will be able to better plan shipment scheduling and inventory levels, while carriers will realize savings by being able to avoid down-time while equipment is sitting idle in ferry lines. The Confederation Bridge is seen as the best means of providing a long-term, efficient transportation connection for both passenger and freight between PEI and the mainland.

## Western Alignment of Highway 104

The second large scale project involving a public-private partnership in the region is the new Western Alignment of Highway 104 between Thompson Station and Masstown, NS. The project began April 1, 1996, and is more than 50% complete. The highway continues to be on schedule to open in December, 1997. Because of the public-private partnership, the 45 kilometre stretch can be completed in 20 months. Using traditional funding methods, a highway of this magnitude would have taken as long as 10 years to construct.

The first asphalt was laid early in November, 1996, on approximately six kilometres. Later in November, the first portion of the Glenholme interchange was opened. The overpass takes traffic on the existing Highway 104 over new highway construction that is continuing underneath. When the highway is opened, this interchange will take traffic on and off the Western Alignment.

Work has continued into the winter months as excavating swamp areas is better done after freeze-up to avoid excess silt washing into streams. Work has also proceeded in rock areas, along with placement of rock and hay for environmental protection.

The speed limit on the new twinned highway will be 110 km/h, and on the existing highway, 80 km/h. These speed limits are expected to separate the mix of high-speed through traffic, including larger trucks, and lower-speed local traffic turning on and off the highway. It is this mix of traffic that has contributed to many accidents. Speed limits on the existing 104 are now 80, 90 and 100 km/h, with most stretches set at 80. Reducing the speed limit to 80 will add approximately four minutes to the average driver's time along the full route.

## Fredericton - Moncton Highway

The third project in the region involving a public-private financing arrangement is the portion of the Trans Canada Highway between Fredericton and Moncton, NB.

In June, 1996, the Government of New Brunswick made the commitment to build $1.4 billion worth of new highway to be completed by the year 2000. Included in this was an estimated cost of $660 million for the Moncton-Fredericton stretch. The preferred option for funding is a federal-provincial arrangement and the province has continued to present its case to the federal government since the June announcement. Normally, under traditional financing methods, a project this size would take approximately 20 years. The province has since contracted RBC Dominion Securities to conduct a financial feasibility study of the project. When this analysis is completed, the government will look at the various options for financing the Fredericton to Moncton segment of highway.

Even though financing has not been finalized, a Fredericton-Moncton Highway Project team was put in place by the Department of Transportation (DOT).

The New Brunswick engineering firm of ADI Limited conducted a traffic study used to update and expand upon traffic information compiled in 1991 when the provincial government began working toward the new four-lane highway from Fredericton to Moncton. The data from this study will also be used to supplement the RBC financial feasibility study.

In other progress on the project in 1996, test drilling took place in the Saint John, Jemseg, Canaan and North Rivers where highway crossings will be built. Drilling has been carried out elsewhere along the route for other construction requirements. Surveying for the center line of the highway is progressing, as well as negotiations for the portion of highway that must go through the Canadian Forces Base Gagetown.

Upon an apparent realization that traditional financing methods would not allow for this stretch of highway to be built in four years, the province, on December 18, 1996, decided to proceed with a public-private arrangement by issuing a Request for Qualifications (RFQ) to potential consortiums to design build, finance, and operate this stretch of highway. A total of five responses had been received by DOT by the January 23, 1997, deadline.

On February 26, 1997, the province announced that a Request for Proposals (RFP) would be sought from three of the original five companies that responded to the RFQ. They included: Maritime Road Development Corporation, Maritime Highway Corporation, and Peter Kiewit and Sons Company Ltd. The RFP deadline was scheduled for March of 1997. In the meantime, the DOT project team continues to work on the engineering and property acquisition aspect of the highway.

## NATIONAL HIGHWAY PROGRAM

During 1996, Transport Canada released a series of information papers on Canada's highway infrastructure and its contribution to the Canadian economy; trade and competitiveness. These papers discussed such things as valuation, expenditures and revenues, safety, traffic, as well as several other matters. Following the release of these papers, the House of Commons Standing Committee on Transport undertook to examine the National Highway System, with a specific focus on ways to renew highway infrastructure.

Hearings were held in Halifax and other cities across Canada during October. The APTC and a number of other regional organizations took the opportunity to present views on highway funding options. The APTC acknowledged the contribution made by the federal government to highway upgrading in Atlantic Canada in recent years. However, much work remains to be done. The APTC believes the federal government should continue to contribute a significant share of funding to highway renewal in the region. In cooperation with the governments of the Atlantic Provinces, a means of ensuring the provision and maintenance of an adequate national highway system in the Atlantic Region must be developed. The federal government's contributions should come from its existing revenue base. The reductions in federal responsibility and funding requirements in other modes, combined with annual revenues exceeding $3 billion from the highway mode, indicate that no new federal taxes need be imposed to fund a federal government commitment to a national highway program.

The House of Commons Standing Committee released a discussion paper in December, 1996, entitled Renewal of the National Highway System. The Committee commented that:

> *... an efficient, competitive highway system is one of the fundamental requirements of a healthy economy. It has been demonstrated beyond any doubt how important a safe and competitive highway system is to trade and tourism. ... What is required is that the federal government recognize the NHS as a national system of strategic importance in support of interprovincial trade and tourism.*

The APTC has for many years been urging the federal government to recognize the importance of the highway system. It appears that the parliamentary committee now recognizes the impact of the highway system on the economy. The Committee went on to discuss options for funding a National Highway Program, including: dedicated taxes, public/private partnerships, and shadow tolls.

Following the release of the discussion paper, a select group of interested parties from the road construction industry, financial institutions and the federal government was invited to a roundtable discussion. The group examined specific funding options for the renewal of Canada's National Highway System. The culmination of all this activity was the 6th Report of the Standing Committee on Transport to the House of Commons in early 1997.

In its report, the Standing Committee encouraged the federal government to make a long-term commitment of at least the current level of annual federal expenditure on highways to finance a National Highway Renewal Program. The Committee also favoured the use of public/private partnerships as a funding option where they can be justified. Finally, a recommendation was made by the Committee that a panel be appointed by the federal government, in cooperation with the provinces and territories, to develop a model to rebuild and maintain our highway infrastructure. This panel to be comprised of six private sector members, representing users, builders, and the financial community; and two members each from the federal and provincial governments. The panel would be financed by the federal government from its existing highway appropriation.

While the APTC is encouraged by the interest of the Standing Committee in a National Highway Renewal Program, there are several concerns with the recommendations. The recommendation that the federal government only commit to the current level of expenditure is inadequate. Much of the current problem exists because of the federal government's relatively low level of expenditure on highways over the past 25 years. Maintaining a currently inadequate level of expenditure will not resolve the issue. The federal government currently returns less than 10% of revenues it earns from the highway system for upgrading projects. It has also recently reduced its commitment to many other transportation modes. The federal government has the scope and flexibility required to greatly increase its contribution to the highway system without increases in taxation.

The proposed panel to develop a model to rebuild and maintain highway infrastructure lacks provincial government and regional input. The design, construction and maintenance of highways is primarily a provincial responsibility. Also, the needs and problems associated with highway development are significantly different in the various regions of the country. Proposals developed to meet the needs in southern Ontario are unlikely to be appropriate in Atlantic Canada or the Prairies. Provincial government participation is essential.

The APTC, following release of the Standing Committee report, wrote to the Prime Minister urging the federal government to cooperate with the governments of Atlantic Canada to develop a National Highway Funding Program for the Atlantic Provinces.

## TASK FORCE REPORT ON PORT OF HALIFAX

In the face of the proposed Canadian Coast Guard cost recovery initiative in early 1996, the Metropolitan Halifax Chamber of Commerce (MHCC) identified, through consultation with its members, that external factors, such as global changes in the shipping industry and legislated port reform, would have major future impacts on the Port of Halifax. The realization of the significance of these issues and their implications for business and the economy in the region lead to the initiation by the MHCC of a Task Force on Port-Related

Opportunities to examine the potential impacts, identify opportunities, and make recommendations on possible directions and responses for the Port.

After months of formal and informal discussions on a wide range of issues and with consideration of a major parallel study commissioned by the Greater Halifax Economic Development Partnership to "Assess the potential of developing Halifax as a multi-modal gateway and processing center for North America", in October of 1996, the MHCC unveiled the Task Force's 10-year vision for the Port of Halifax. The following summarizes the report findings.

### *The Challenge...*

*A continued status quo for the Port of Halifax is not an option. If no action is taken to address the Port's current weaknesses and threats, it will decline to become a feeder for local trade. However, if all key stakeholders work together with strong leadership to achieve a common vision, the Port can grow substantially with huge consequent benefits for the local, regional and national economy.*

### *The Vision...*

*Halifax will, within 10 years, be the major east coast hub port with state of the art facilities servicing all cargo sectors. It will be the North American headquarters for several global carriers.*

*This increased activity will result in 24,000 more direct and indirect jobs in the Metro area.*

### *The Requirements...*

*The commitment of all key stakeholders to the vision.*

*Revisions to the proposed Canada Marine Act.*

*A new Port Authority, controlled and driven locally by the private sector, with full responsibility for the Port, and active involvement of major stakeholders and investors.*

*Rapid upgrading of port facilities.*

## Report Conclusions

1. The Port of Halifax is a major but underestimated driver in the local and regional economy. It has experienced large swings in business volume over

the past ten years but has recently seen strong growth in container traffic, the most significant cargo mode in global trade.

2. Due to major changes occurring in global shipping, "hub" and "spoke" or "local feeder" ports will develop further on the major world trade lanes. Halifax is located on one of the three largest lanes, the North Atlantic route. Hub ports will see substantial growth in traffic. Feeder ports will be relegated to serving local markets only. Other ports will become non-competitive and will no longer receive any significant trade.

3. Halifax has many natural advantages that make it an obvious candidate as an eastern seaboard hub port, or even as the major hub. It also has significant weaknesses, particularly political factors, that will prevent the Port from achieving its hub potential and will guarantee its relegation to feeder status unless they are addressed immediately.

4. External factors, which strongly influence Port costs and operations, are largely beyond the Port's control but will play a strong role in determining the future direction. Many of these have positive consequences for Halifax, however, a number are negative and may obstruct the development of the Port. Stakeholders in the Port have a window of opportunity to influence these factors and ensure they do not remain as obstacles.

5. Changes to Canadian port operations associated with Bill C-44, the Canada Marine Act, could potentially provide the Port with all the tools it requires to establish itself as the major eastern seaboard hub. However, the current bill retreats from key positions established by the National Marine Policy in 1995. Without provision for local autonomy and control, and unfettered investment, the Port will not have the ability to control its own future. This autonomy is essential if hub port status is to be achieved.

6. If the Port of Halifax is permitted to take advantage of its strengths, address its weaknesses, and influence the external driving forces without constraint, and if all key stakeholders unite to achieve this vision, Halifax will become a major eastern seaboard hub port within ten years. The total business volume will increase about six-fold during that time. As many as 24,000 new direct and indirect jobs will be created, and as much as $2 billion in direct local spending will result.

7. If the future actions of the Port and its stakeholders continue to be constrained, the Port will be relegated to a minor eastern feeder port with less than half its present business volume.

8. There is no other realistic and viable option for the port. The status quo will not continue.

While not comprehensive, the report conclusions and recommendations are intended to provide a future vision and targets for the Port and its stakeholders. These are said to be the starting point only for the development of a full action plan and its implementation in the next phase.

## NEW MANDATE

The APTC has been known, over most of the previous 65 years of its existence, as an organization which represented the interests of Atlantic Provinces' shippers in matters of transportation. Over that period, the APTC dealt primarily with freight rate and regulatory matters in an era of regulated transportation in Canada. Over the past 10 years, a number of events have occurred which made that role redundant. Primary among these events, insofar as the activities of the APTC were concerned, were the deregulation of the transportation industry, and termination of the various transportation subsidy programs.

At the same time, the provinces, as a consequence of their own financial situations, were examining the role and funding of the APTC. The provincial governments significantly reduced their financial support to the APTC over the past four years and will further reduce funding over the next few years. The provinces require that there be tangible support for the organization from the business community of the region. They also demanded that the APTC focus on those activities which it could do best and not overlap with the activities of other trade organizations in the region. In response, the APTC completed a strategic planning exercise which resulted in the adoption of a new mandate.

This new mandate will see the APTC develop as the primary source for transportation information and analysis in Atlantic Canada, and as an advocate for the application of innovative transportation technology in support of economic development in Atlantic Canada. In order to meet this goal, several objectives have been set out for the APTC:

- *make transportation information readily available to interested parties in Atlantic Canada through the use of appropriate technology*
- *provide analysis and commentary on transportation policy and issues*
- *foster technological innovation and policy change to improve the efficiency of the transportation system serving Atlantic Canada*

- *encourage economic development in Atlantic Canada through cooperation and/or association with other trade groups, associations, government departments and agencies*

The strategic planning process also examined various funding options for maintaining the operation of the APTC. The option chosen had to meet the requirements of the provincial governments that business provide significant support for the organization and that activities performed for or on behalf of provincial governments be on a fee-for-service basis. Provincial governments also require tangible evidence of the value of the APTC to the region. The planning process indicated the best way that the APTC could meet these criteria would be to provide a number of products and services to business and governments in the Atlantic Region.

In keeping with our new mission, the Atlantic Transportation *InfoNET* is being launched in 1997. This internet-based subscription information service is primarily of interest to business and industry, but will also be of interest to governments and others. A bill of lading design service is now available and a highway clearance guide will also be available in 1997. Several other products and services are under development and will be introduced throughout the year. The APTC is also actively investigating the application of innovative technologies to improve the efficiency of the transportation systems in the Atlantic Region.

The APTC will continue, for the time being, to provide commentary and analysis of transportation policy and issues within the region. However, our long-term ability to sustain these activities is now dependent upon sales of products and services.

The beginning of 1997 is also the beginning of a new era for the APTC. Our new mission is a significant departure from our previous role. The organizational and structural changes necessary to enable the APTC to fulfil its new mandate are largely complete. The APTC is confident that it will meet its goals and continue to provide an important role in the Atlantic Provinces well into the next century.