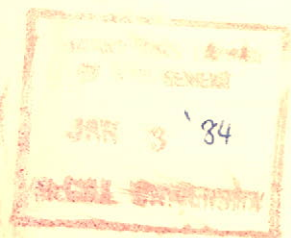


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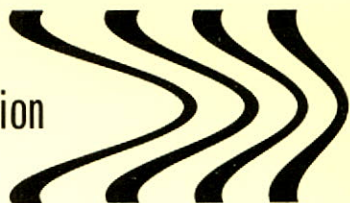
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TRANSPORTATION
REVIEW
AND
ANNUAL REPORT



...58th Year of Service

Atlantic Provinces Transportation Commission



**TRANSPORTATION REVIEW
AND
ANNUAL REPORT FOR THE
YEAR ENDED MARCH 31, 1983**

The Atlantic Provinces Transportation Commission has offices at 236 St. George Street (Suite 210), Moncton, New Brunswick. The services of the Commission are freely available to individuals, corporations and trade groups doing business in the Provinces of Nova Scotia, New Brunswick, Prince Edward Island and Newfoundland.

Honourable Ronald Giffin
Minister of Transportation
Province of Nova Scotia
Halifax, N. S.

Honourable Ronald Dawe
Minister of Transportation
Province of Newfoundland
St. John's, Nfld.

Honourable W. G. Bishop
Minister of Transportation
Province of New Brunswick
Fredericton, N. B.

Honourable R. B. Pratt
Minister of Transportation &
Public Works
Province of Prince Edward Island
Charlottetown, P. E. I.


Sirs:

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, 1982, to March 31, 1983. This report attempts to review transportation developments in Canada, particularly as they relate to the Atlantic Provinces. In addition, it covers, to a limited extent, some of the activities of the Commission during the year 1982-83.

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.



Elwood L. Dillman
Chairman

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**DIRECTORS OF THE
ATLANTIC PROVINCES TRANSPORTATION COMMISSION
AS AT MARCH 31, 1983**

Honourary Chairman - Dr. A. Murray MacKay, Halifax, N.S.

NOVA SCOTIA

Government

L. J. Hayes	Halifax, N.S.
D. J. MacDougall	Halifax, N.S.
F. T. Stanfield	Truro, N.S.

Atlantic Provinces Chamber of Commerce

D. G. Burchell	North Sydney, N.S.
E. L. Dillman	Hantsport, N.S.
C. A. Meisner	Liverpool, N.S.

NEW BRUNSWICK

Government

G. F. Eddy	Bathurst, N.B.
F. H. Hatfield	Hartland, N.B.
W. W. Steeves	Fredericton, N.B.

Atlantic Provinces Chamber of Commerce

E. S. Bailey	Edmundston, N.B.
E. M. S. Fisher	Sackville, N.B.
T. S. Simms, Jr.	Saint John, N.B.

PRINCE EDWARD ISLAND

Government

K. A. MacKenzie	Charlottetown, P.E.I.
G. D. Wright	Central Bedeque, P.E.I.

Atlantic Provinces Chamber of Commerce

G. Key	Summerside, P.E.I.
D. N. MacKenzie	O'Leary, P.E.I.

NEWFOUNDLAND

Government

H. M. Noel	Grand Falls, Nfld.
E. J. O'Brien	St. John's, Nfld.

Atlantic Provinces Chamber of Commerce

H. G. Manuel	Corner Brook, Nfld.
S. R. Winter	St. John's, Nfld.

ALSO

President, Atlantic Provinces Chamber of Commerce

S T A F F

Craig S. Dickson, General Manager
Ramsay M. S. Armitage, Assistant General Manager
Lorne M. Mitton, Transportation & Distribution Officer
Austin S. Durant, Senior Traffic Analyst
Peter A. Vuillemot, Assistant Transportation & Distribution Officer
Dale V. Ronalds, Traffic Analyst
Sheldon B. Steeves, Assistant Traffic Analyst
Debbie E. Matchett, Assistant Traffic Analyst
Charles D. Mollins, Research Officer & Accountant
Mona Savole, Senior Tariff Clerk
Cathy Peters, Staff Secretary
Susan Wilson, Assistant Staff Secretary



E. L. DILLMAN

Chairman

Corporate Traffic Manager

Minas Basin Pulp and Power Co. Ltd.

CFK Inc.

Hantsport, N. S.



E. S. BAILEY

Vice-Chairman

Director of Purchasing,
Transportation & Stores

Fraser Inc.

Edmundston, N. B.



D. J. MacDOUGALL

Director, Transportation Policy

Province of Nova Scotia

Halifax, N. S.



D. N. MacKENZIE

Manager

H. B. Willis Inc.

O'Leary, P.E.I.



K. A. MacKENZIE

Director, Transportation Division

Province of Prince Edward Island

Charlottetown, P.E.I.



H. G. MANUEL

Sales & Traffic Manager

North Star Cement Limited

Corner Brook, Nfld.

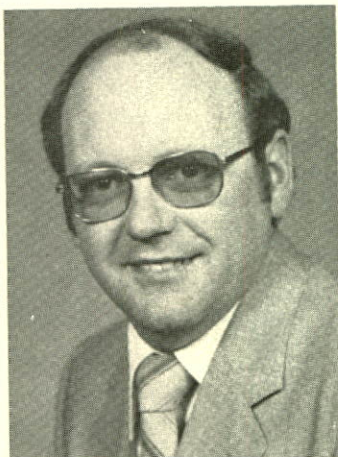


E. J. O'BRIEN

Director of Transportation

Province of Newfoundland

St. John's, Nfld.

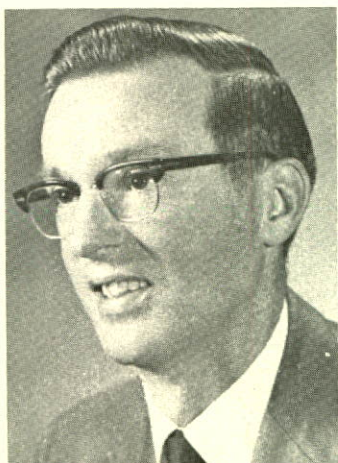


W. W. STEEVES

Assistant Director, Transportation

Province of New Brunswick

Fredericton, N. B.



C. S. DICKSON

General Manager

Moncton, N. B.

COMMISSION STAFF



Left to Right: seated - Susan Wilson, Lorne Mitton, Craig Dickson, Ramsay Armitage, Cathy Peters; standing - Charles Mollins, Debbie Matchett, Dale Ronalds, Sheldon Steeves, Peter Vuillemot, Mona Savoie, Austin Durant

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 Atlantic Provinces, individually or collectively, pertinent to the assessment or formulation of transportation policy;
- (8) To assist 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 free of charge by contacting the Commission's office at 236 St. George Street (Suite 210), Moncton, N.B. Inquiries should be directed to the General Manager, Atlantic Provinces Transportation Commission, P. O. Box 577, Moncton, N.B., E1C 8L9. Phone (506) 855-0031, Telex 014-2842.

GENERAL TRANSPORTATION REVIEW

Rail

Depressed economic conditions continued during 1982 and the effects are evidenced by the decline in both carload and non-carload traffic loaded as shown in the table below. Statistics for carloading in the Atlantic Provinces are not timely available for inclusion in this report.

RAILWAY CARLOADINGS 1982

	Metric Tonnes*		
	<u>1982</u>	<u>1981</u>	<u>% Change</u>
	(Tonnes X'000)	(Tonnes X'000)	
Carload Traffic Loaded	199,436	229,690	-13.2
Non-Carload Traffic Loaded	424	502	-15.4

* Previously reported in short tons

Source: Statistics Canada Railway Carloadings, December, 1982
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

	<u>1982</u>	<u>1981</u>
	(in millions)	(in millions)
System Profit (Loss)	(223.0)	193.2
Income From Divisions		
Before Taxes:		
CN Express	(40.6)	(39.9)
CN Marine	16.5	9.3
CN Rail	(34.9)	#215.0
CN Trucking	(5.7)	(.3)
TerraTransport	(32.4)	(28.8)

CANADIAN PACIFIC LIMITED

	<u>1982</u>	<u>1981</u>
	(in millions)	(in millions)
System Profit (Loss)	188.3	485.6
Net Income From Divisions:		
CP Air	(39.2)	(22.8)
CP Rail	117.8	127.2
CP Ships	(20.0)	43.8
CP Trucks	1.6	5.5

Revised figure

Payments received to December 31, 1982, by both major railways under terms of the National Transportation Act, in respect of the maintenance of services of uneconomic branch lines and those unprofitable passenger services, which are required to be maintained in the public interest, not included in the VIA Rail Canada network, are outlined below:

**SUBSIDIES PAID TO CANADIAN NATIONAL RAILWAYS
AND CANADIAN PACIFIC LIMITED UNDER TERMS OF THE
NATIONAL TRANSPORTATION ACT IN RESPECT OF YEAR 1981**

(Payments to December 31, 1982)

	<u>Canadian National Railways</u>		<u>Canadian Pacific Limited</u>	
	<u>Claimed</u>	<u>Paid</u>	<u>Claimed</u>	<u>Paid</u>
<u>Sections 256 and 258 of the Railway Act</u>				
In respect of uneconomic branch lines	\$133,915,984	\$124,077,524	\$137,988,756	\$118,500,807
<u>Section 261 of the Railway Act</u>				
In respect of unprofitable passenger service	1,846,888	1,226,151	-	-
Totals	<u>\$135,762,872</u>	<u>\$125,303,675</u>	<u>\$137,988,756</u>	<u>\$118,500,807</u>

Source: Canadian Transport Commission, Sixteenth Annual Report

Effective April, 1980, VIA Rail Canada assumed responsibility for most passenger train services in Canada. Payments to VIA Rail Canada are not made under the Railway Act and subsidies paid in respect of passenger services in the foregoing table do not include payments by the federal government to VIA Rail Canada.

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

**PAYMENTS TO CANADIAN NATIONAL RAILWAYS
AND CANADIAN PACIFIC LIMITED
UNDER TERMS OF THE NATIONAL TRANSPORTATION ACT
IN RESPECT OF YEAR 1981**

(Payments to December 31, 1982)

	<u>Atlantic Provinces</u>	<u>Central Canada</u>	<u>Western Canada</u>	<u>Through Service Between Central & Western Canada</u>
Canadian National Railways				
Section 256 (unprotected branch lines)	\$1,834,389	\$586,620	\$ 12,242,294	Nil
Section 258 (guaranteed branch lines)	Nil	Nil	109,414,221	Nil

	<u>Atlantic Provinces</u>	<u>Central Canada</u>	<u>Western Canada</u>	<u>Through Service Between Central & Western Canada</u>
Canadian Pacific Limited				
Section 256 (unprotected branch lines)	\$ 76,767	\$815,876	\$ 9,231,418	NII
Section 258 (guaranteed branch lines)	NII	NII	108,376,746	NII

Source: Canadian Transport Commission, Sixteenth Annual Report

Listed below is a summary of activity which occurred during 1982-83 in connection with Canadian National Railway's applications to abandon certain portions of their operations in the Atlantic Provinces. In those cases where the CTC has determined branch lines to be uneconomic, but which are also declared by the CTC to be required in the public interest, the railways are fully reimbursed for their annual operating losses on such lines.

Nova Scotia

Yarmouth Subdivision - On May 13, 1982, the Railway Transport Committee of the Canadian Transport Commission issued an order allowing the Canadian National Railway to abandon the Yarmouth Subdivision effective August 1, 1982, subject to the condition that a loading ramp at Yarmouth, belonging to the Dominion Atlantic Railway, be upgraded or rebuilt on or before that date. CN applied to have the abandonment date extended for part of the subdivision from Liverpool to Wilkins Siding. The Railway Transport Committee granted this request and the abandonment date for that portion of the subdivision only was delayed to October 31, 1982.

Oxford Subdivision - A public hearing was held on October 26 and 27 at New Glasgow, N.S., into the application by Canadian National to abandon a portion of the so-called "Short Line" between Pugwash Junction and Scott Spur (mileage 16.49 to 71.43 of the Oxford Subdivision). The CTC has not given its decision on this application at time of writing.

Middleton Subdivision - During 1982 Canadian National applied to the CTC to abandon the operation of the Middleton, N.S., Subdivision from Bridgewater Junction (mileage 0.00) to Bridgetown (mileage 66.84) a total distance of 66.84 miles. The CTC has not scheduled a hearing on this application at time of writing.

New Brunswick

Richibucto Subdivision - A public hearing was held on October 28, 1982, at Richibucto, N.B., into the application by Canadian National to abandon the Richibucto Subdivision between Kent Junction (mileage 0.00) and Richibucto (mileage 26.50). The CTC has not given its decision on this application at time of writing.

Centreville Subdivision - A public hearing was held on April 1-2, 1982, at Woodstock, N.B., into the application by Canadian National to abandon the Centreville Subdivision from Valley (mileage 0.00) to Centreville (mileage 27.72). The CTC has not given its decision on this application at time of writing.

St. Quentin Subdivision - A CN application was submitted to the CTC during March, 1983, to abandon the St. Quentin Subdivision between Tide Head (mileage 0.00) and I.N.R. Junction (mileage 105.76), a distance of 105.76 miles. The CTC has not scheduled a hearing on this application at time of writing.

Prince Edward Island

Murray Harbour Subdivision, Montague Subdivision and Souris Subdivision (Elmira Spur) - Public hearings were held on November 1 through 4 into applications by Canadian National for the abandonment of these subdivisions. In an advance decision dated February 11, 1983, the CTC ordered CN to continue operations over the following lines: Maple Hill to Uigg and Lake Verde to Mount Albion on the Murray Harbour Subdivision; Mount Stewart Jct. to Montague on the Montague Subdivision; and, Harmony Jct. to Baltic on the Elmira Spur. The CTC deemed all three P.E.I. branch lines for which abandonment was applied to be uneconomic and likely to continue to be uneconomic in the foreseeable future.

During the year under review, the Railway Transport Committee of the Canadian Transport Commission investigated the scheduling of passenger train service operated daily by VIA Rail and Canadian National between Sydney, Truro and Halifax, N.S., as a result of complaints from the Nova Scotia government. A public hearing was held on August 16-19, 1982, at Truro, N.S.

The CTC report set out three specific orders:

1. Schedules on the Sydney-Halifax passenger rail routes were to be reduced effective September 27, 1982, which in effect would reduce travelling time by as much as 40-45 times.
2. CN is to provide the Railway Transport Committee with weekly explanations of variances on the daily performance of these passenger trains.
3. VIA Rail must report to the CTC weekly on whether there are any irregularities in schedules.

The Canadian railways excluded all private tank cars, loaded or empty, on private tracks from demurrage charges effective June 1, 1982. The decision followed discussions between the railways, the Canadian Car Demurrage Bureau and the Shippers' Demurrage Committee, which includes representatives from major industrial associations such as the Canadian Industrial Traffic League, the Canadian Manufacturers' Association and the APTC. Prior to this change, private tank cars were only exempt from demurrage charges while on the private tracks of their owners.

Also, the Canadian Car Demurrage Bureau had proposed an increase of 6% in the charges governing delays in the loading and unloading of railway cars in Canada to become effective no later than February 1, 1983. Following representations from the Shippers' Demurrage Committee, the increase was postponed indefinitely pending further discussion.

In May, 1982, CN Rail established a cargo-flo terminal in Moncton, N.B., to serve the Maritimes. Bulk commodities, liquid or dry, are transferred from rail to truck for final delivery. The system can handle all flowable commodities. Receivers in the Maritimes whose plants are not served by rail will now be able to benefit from the economics of long distance rail shipments. This terminal is the first of its kind east of Montreal.

TerraTransport, the Newfoundland division of Canadian National, established the Servocenter concept for customer contact and service during 1982. The Servocenters have been in operation in the rest of Canada for a number of years. The Servocenters were established at St. John's, Grand Falls and Corner Brook. The territorial coverage for the St. John's Servocenter serves all points from St. John's to Terra Nova; the Grand Falls Servocenter serves all points from Glovertown to Badger; and, the Corner Brook Servocenter serves points between Howley and Port aux Basques. As a result, TerraTransport applied to the Canadian Transport Commission to close a number of local agencies and freight stations across Newfoundland. The Canadian Transport Commission has scheduled several public hearings on this matter during May, 1983.

The Souris potato rail loading facility commenced operations early in 1983. The facility and equipment were provided through Transport Canada's federal development strategy for Prince Edward Island and the Agriculture Canada productivity enhancement program. The loading point, which can handle three rail cars and five trucks at one time, was built at a cost of approximately \$400,000.

Highway

Canadian National Transportation Ltd., which controls CN's trucking subsidiaries, became the first trucking company with general freight authorities covering all Canadian provinces with the acquisition of Les Entreprises Bussieres Ltee. in partnership with the Quebec government during 1981-82. The twelve subsidiary trucking companies have been moulded into a cross-Canada network by CN under the title "Route Canada" which offers customers improved service due to less interline transfer which also reduces such things as billings, tracing and claims. The twelve companies which make up Route Canada are:

Bellechasse Transport Inc.	Midland Superior Express Limited
Bel-Mont Transit Inc.	Provincial Tankers Limited
Chalut Transport (1974) Inc.	Rimouski Transport Limitee
Cronin Transport Limited	Speedway Express Ltd.
Eastern Transport Limited	Swan River-The Pas Transfer Ltd.
Husband Overnite	T.P.T. Company Limited

Effective September 30, 1982, Canadian Pacific Express & Transport Ltd. acquired 100% of the shareholdings of Moffatt Bros. Ltd. of Truro, N.S. In addition to Moffatt Bros., the purchase included the following trucking firms controlled by Moffatt: Moffatt Bros. Moving & Storage Ltd., Bowness Transport Ltd., River Transport Inc., O'Toole's Transfer Ltd., and Starr Trucking Ltd. Bowness Transfer Ltd. and River Transport Inc. were acquired by

Moffatt earlier in 1982. This acquisition allows Canadian Pacific to complete a transcontinental trucking operation in Canada. The Moffatt company will be incorporated into Canadian Pacific's wholly owned subsidiary, Canadian Pacific Express and Transport, which also operates Canpar, Bulk Systems, Highland Express, Express Airborne and Deluxe Moving and Storage.

1982-83 saw SMT (Eastern) Ltd. opening a new modern bus terminal and head office in Saint John, N.B., and a new terminal in Moncton, N.B. In addition, SMT has put five new MC 9 buses into service during the year at a cost of \$200,000 each. Another new SMT service allows passengers destined to New York City or destinations in Quebec to complete their journey without changing buses. This is accomplished by the SMT drivers switching buses with the connecting bus line at American and Quebec border points.

During the past year, the Council of Maritime Premiers established a committee to investigate the possibility of a more standard approach to regulation of motor vehicles in the region. The Motor Carrier Act Review Committee established earlier by the Nova Scotia government continued its investigation into possible changes to the Nova Scotia Motor Carrier Act. This subject is covered in more detail in another section of this report entitled "Motor Carrier Regulatory Reform".

The Canadian Agreement on Vehicle Registration which was outlined in last year's Transportation Review and Annual Report continued to be a subject of much concern to the region. Prince Edward Island joined the plan on January 1, 1983, with the provisions to become effective on the 1983 registration date of May 1st. As a result of a number of inquiries from individuals and trade associations, the APTC determined that a communication problem had developed. In order to assist in the understanding of the workings of the CAVR, several articles appeared in "Tips & Topics" and a circular letter was sent to a large number of trade organizations. As well, staff members addressed the subject at a number of meetings and functions with the aim of better informing those who would be registering their vehicles under the plan.

On September 1, 1982, the motor carrier regulations issued pursuant to the Nova Scotia Motor Carrier Act were amended to include the terms and conditions of the Uniform Conditions of Carriage as recommended by the Canadian Conference of Motor Transport Administrators. Nova Scotia is the last province to adopt the Uniform Bill of Lading which is now accepted all across Canada.

Air

A new air terminal building for Charlottetown costing an estimated \$7 million was announced by the federal government during April, 1982, as part of the airport's \$30 million redevelopment program originally announced in 1977. \$90,000 has been approved for preparing preliminary cost estimates for the terminal, parking lot, access road and landscaping. Work on the new airport control tower and operations building costing approximately \$2.5 million is expected to begin during 1983. In addition, a new runway for the airport will be built, costing approximately \$10 million.

During 1982 the Canadian Transport Commission granted Eastern Provincial Airways authority to transfer certain services to Air Maritime Ltd. Air Maritime has taken over EPA's licenses to provide fixed wing aircraft Group E service to Halifax and Sydney, N.S.; Fredericton, Moncton and Saint John, N.B.; Charlottetown, P.E.I.; Magdalen Island, P.Q.; and, the Island of St. Pierre, France. Details were provided in last year's Annual Report.

Eastern Provincial Airways' application for a direct service between St. John's, Nfld., and Toronto, Ont., was turned down by the Canadian Transport Commission during 1982. The proposed service was intended to compete with the present Air Canada service. The application was opposed by Air Canada, CP Air and Quebecair.

Eastern Provincial Airways and CP Air have jointly announced their intention to combine passenger and cargo operations in the Atlantic Provinces during 1983. The two airlines stated that the proposal will allow them to compete more effectively and improve their financial positions. The combination of services will include the joint scheduling of equipment, interconnection of flights, joint ground handling at airports, joint reservations and promotion of the two airlines, their services and destinations. Similar links are expected in charter operations, crew training and maintenance. In this regard, CP Air and EPA have filed an application with the CTC for CP Air to contract out its Halifax-Montreal route to EPA for a period of two years. The CTC has yet to rule on this application.

Quebec Aviation of Quebec City was awarded a license to operate to and from the regional airport at St. Leonard, N.B., during 1982. Two fifteen seater aircraft provide two daily flights to Fredericton, N.B., and two to Quebec City from St. Leonard with service beginning in January, 1983. A federal subsidy of \$360,000 for the first year and \$313,000 for the second year was offered to the successful licensee to offset initial operating losses.

Air Canada introduced a new freighter schedule during 1982 that gives next morning delivery to Halifax, N.S.; Moncton, N.B.; and, St. John's, Nfld. The service operates six days per week, Monday to Saturday using DC 8F and DC 8C aircraft. The service provides St. John's, Nfld., with regular next morning service from Central Canada, Nova Scotia and New Brunswick. Next morning service is provided from these areas to Stephenville on Tuesdays and Thursdays.

Effective February 1, 1983, Air Canada announced its Air Express services would be controlled entirely by Air Canada, including all ground services. Prior to this date, air express pickup and delivery and tracing were performed by CN Express.

Air Canada showed a net loss of \$32.6 million during 1982, a decrease of 181.3% when compared with the previous year. Eastern Provincial Airways' net income was not available at the time of writing. A brief table of statistical highlights is shown below:

	AIR CANADA			EASTERN PROVINCIAL AIRWAYS		
	1982	1981	Percent Change	1982	1981	Percent Change
Revenue Passengers Carried	11,400,000	12,500,000	-8.8	787,600	862,400	-8.7
Revenue Passenger Miles (X'000)	13,590,000	*14,351,000	-5.3	395,461	410,165	-3.6
Freight Ton Miles (X'000)	#	319,000	#	5,234	5,106	+2.5
Revenue Ton Miles (X'000)	398,000	413,000	-3.6	#	#	#
Passenger Load Factor	63.1%	65.2%	-3.2	53.9%	56.9%	-5.3
Net Income (Loss) After Taxes	(32,600,000)	40,100,000	-181.3	#	4,402,000	#

* Revised figure

Not available at time of printing

Source: Air Canada and Eastern Provincial Airways

Marine

The 1982 year showed a drop of almost 26% in cargo handled at NHB ports in the Atlantic Provinces when compared with the previous year. The lower demand for petroleum products contributed greatly to the drop in tonnage at both Saint John and Halifax ports. Gypsum and bulk cement shipments decreased substantially at Halifax and forest products at Saint John mainly due to the depressed construction industry in the United States. While traffic was down in all categories at Halifax, container traffic at Saint John showed a healthy 9% increase. Cargo totals at St. John's, Nfld., remained constant when compared with 1981 with a continued swing to containerized cargo and a drop in general cargo.

WATERBORNE CARGO TONNAGE, LOADED OR UNLOADED AT NHB PORTS OF SAINT JOHN, N.B., HALIFAX, N.S., ST. JOHN'S, NFLD., AND BELLEDUNE, N.B.

(In Metric Tonnes)

ALL CARGO

Calendar Year	Saint John	Halifax	St. John's	Belledune	Total
1982	8,438,179	11,198,646	1,102,118	419,688	21,158,631
1981	13,740,182	13,277,865	1,098,490	394,476	28,511,013
Increase or (Decrease)	(5,302,003)	(2,079,219)	3,628	25,212	(7,352,382)
% Change	-38.6%	-15.7%	+3%	+6.4%	-25.8%

GENERAL CARGO

1982	976,305	480,784	152,893	-	1,609,982
1981	1,456,435	557,145	*207,539	635	2,221,754
Increase or (Decrease)	(480,130)	(76,361)	(54,646)	(635)	(611,772)
% Change	-33.0%	-13.7%	-26.3%	-	-27.5%

CONTAINER CARGO

<u>Calendar Year</u>	<u>Saint John</u>	<u>Halifax</u>	<u>St. John's</u>	<u>Belledune</u>	<u>Total</u>
1982	986,556	1,419,345	250,454	-	2,656,355
1981	903,913	1,785,770	204,196	-	2,893,879
Increase or (Decrease)	82,643	(366,425)	46,258	-	(237,524)
% Change	+9.1%	-20.5%	+22.7%	-	-8.2%

* Revised figure

Source: Canada Ports Corporation

The CN involvement in the CAST group of companies remained unresolved during 1982-83. The Supreme Court of Canada in a June, 1982, decision refused a Canadian National Railway's request to appeal a Federal Court ruling that Section 27 of the National Transportation Act applies not only to initial acquisitions of shares by Crown corporations such as CNR but also to subsequent ones. This decision requires CNR to get approval of the Canadian Transport Commission on any further acquisition of shares in the CAST group.

The CTC hearing, originally requested in early 1981, by the Nova Scotia government, was delayed due to the lengthy court battle which finally ended with the above decision. Hearing dates were set for November, 1982, in Halifax, N.S., and Montreal, P.Q., and then postponed until March, 1983. A further postponement requested by the CNR delayed the public hearing until at least April, 1983. The hearing will be broadened in scope to cover additional concerns raised by the Nova Scotia government about the possible impact of CN's investment holdings in CAST on container shipping operations through the Port of Halifax. Other concerns include CN's \$10 million acquisitions of the assets of one of CAST's operating subsidiaries, Task Terminals Ltd. of Montreal and alleged payments to CAST by CN in the form of commissions to encourage expansion of its U.S. container cargo. The Task Terminal's acquisition would allow CN an option to acquire 75 percent of Cast Terminals Ltd. of Bermuda.

Other changes in or additions to international steamship services involving the Atlantic ports are:

- A new ocean shipping service to transport lumber from Bridgewater, N.S., to Ellesmereport, England, commenced regular service during September, 1982. Cantimberline, a member of the Melton Shipping Group of the United Kingdom offers a monthly service and is the only line in the east operating between Canada and the U.K. catering solely to timber.
- A new ocean shipping service for the carriage of forest products commenced service during December of 1982 from ports in the Province of New Brunswick to destinations in the United Kingdom and Continental Europe. Two vessels M/V "Leerort" and M/V "Lilienthal" both 8300 tonne specialized forest product carriers are the first of a projected four vessel fleet planned for a scheduled twice monthly liner service by owner Thien and Heyenga of Hamburg, Germany.

- A new container line, Neptune Orient Line (NOL), commenced operations from the Port of Saint John, N.B., during the 1982-83 year with the 1600 TEU (twenty foot equivalent) vessel "Neptune Diamond". NOL has joined the consortium of Orient Overseas Container Line and Korea Shipping Corporation. The three lines each own vessels but share cargo space with each other on their vessels. The lines provide weekly container service from Saint John to the Far East using 20 foot and 40 foot dry cargo containers.
- An ocean freight conference was formed, effective October 7, 1982, by five steamship lines serving Eastern Canada and the Caribbean area. Box Caribbean Lines, Concorde Line, Puerto Rico Maritime Shipping Authority, Saguenay Shipping Ltd. and Sea-Land Services Inc. will handle export cargoes from ports in the Canadian Great Lakes, St. Lawrence River and eastern seaboard as well as substitute service via U.S. Atlantic ports. The base ports of call in the Caribbean are in Barbados, Dominican Republic, Haiti, Jamaica, Netherland Antilles and Trinidad.
- Box Caribbean Line added a third vessel and an additional port of call on its regular container service between Saint John, N.B., and the Caribbean. A monthly call is now being made at Port au Prince, Haiti, in addition to the three sailings monthly to ports in Jamaica, Dominican Republic, Barbados and Trinidad.
- A new ocean shipping service, The National Shipping Company of Saudi Arabia (N.S.C.S.A.), commenced a regular container and ro-ro shipping service from Halifax to the Middle and Far East on March 6, 1983. The line will use a fleet of modern vessels capable of carrying containers, breakbulk, automobiles and machinery on its service scheduled to call at Halifax every 21 days.

A number of changes in the shipping services between Newfoundland and the Maritime Provinces and Central Canada occurred during the period under review. This subject is covered in detail in another section of this report entitled "Containerization of Newfoundland Transportation".

In September, 1982, the member lines of the steamship conferences operating between Canada and the United Kingdom and Continental Europe announced major changes in their freight rate structure. These changes, originally to become effective on December 1, 1982, would result in all Service one and two rates being published on a lump sum basis, in U.S. funds, including currency and terminal charges, as well as an increase of between U.S. \$250 to U.S. \$500 per container. As a result of considerable pressure from the Canadian Shippers' Council, of which APTC is a member, and exporters generally, the conferences modified this original proposal and, effective January 1, 1983, published lump sum rates in Canadian funds including increases ranging from U.S. \$150 to U.S. \$300 per container. In addition, the conferences did not include the currency and terminal charges in these lump sum rates and these charges continue to be assessed separately.

The Nova Scotia government announced the creation of a new authority to oversee promotion and marketing of the Port of Halifax during 1982. The new organization will be known as the Halifax-Dartmouth Development Authority and will replace or encompass the port's current promotion agency, Halicon, as well as the Halifax-Dartmouth Port Commission.

Atlantic Container Line (ACL) terminated its direct service to and from the Port of Montreal effective the end of October, 1982. ACL now provides direct sailings only between Halifax and ports in Continental Europe and the United Kingdom. This change resulted in Halifax being the first port of call inbound and last port of call outbound on its services to Europe and doubles the number of calls at Halifax by ACL. Also effective January 1, 1983, ACL began using the new marine container terminal at Fairview Cove in Halifax instead of the Halterm terminal and has signed a three year contract to this effect. In addition, the steamship line, Hapag Lloyd, also moved its operation to Fairview Cove during the year under review.

The Canada Ports Corporation Act (Bill C-92) was proclaimed on February 24, 1983. As covered in the 1981-82 Annual Report, this Act implements a new national ports policy. The National Harbours Board has been restructured into a crown corporation by this Act. Each of the 15 major ports in Canada, including Halifax, N.S., Saint John, N.B., and St. John's, Nfld., will have increased autonomy under the new structure with greater decision making and spending authority.

Halterm container terminal at the Port of Halifax announced a new \$9 million container handling system to be completed during 1982-83. The basic program involves a change in operation from straddle carriers to a terminal chassis and yard gantry/transtainer operation. Included in the new system are six gantry cranes, valued at approximately \$6.5 million, capable of spanning two railway tracks to be used for loading and unloading rail traffic. Also included are 12 ro-ro cargo tractors, valued at approximately \$1 million, 36 terminal container chassis valued at approximately \$500,000 and 2 large lift trucks and other power equipment valued at approximately \$1 million.

Ferries

Traffic totals for ferry operations in Atlantic Canada for 1982 showed decreases in all categories when compared with the previous year. Overall totals for passengers decreased 6.4%, automobiles 4.7%, and trucks and tractor trailers 8.8% when compared with 1981.

Statistics for the year 1982 appear below, with 1981 figures in brackets:

FERRY OPERATING STATISTICS FOR ATLANTIC CANADA

<u>Service</u>	<u>Passengers</u>		<u>Automobiles</u>		<u>Trucks and Tractor Trailers</u>	
<u>CN Marine Services</u>						
Cape Tormentine - Borden	1,451,915 (1,530,187)	-5.1%	442,716 (457,654)	-3.3%	136,812 (154,892)	-11.7%
North Sydney - Port aux Basques	271,881 *(298,741)	-9.0%	64,956 (70,134)	-7.4%	38,677 (42,033)	-8.0%
North Sydney - Argentia (1)	31,764 (43,460)	-26.9%	8,141 (10,422)	-21.9%	107 (121)	-11.6%
Yarmouth - Bar Harbour (2)	82,383 *(91,657)	-10.1%	22,957 *(24,827)	-7.5%	238 *(327)	-27.2%
Yarmouth - Portland	7,820 (8,877)	-11.9%	1,413 (1,803)	-21.6%	5,189 (4,279)	+21.3%
Saint John - Digby	231,292 (250,398)	-7.6%	54,674 (57,694)	-5.2%	24,189 (27,130)	-10.8%
<u>Northumberland Ferries Service</u>						
Wood Island - Caribou (3)	526,300 (545,622)	-3.5%	149,037 (156,257)	-4.6%	33,518 (33,062)	+1.4%
<u>Prince of Fundy Service</u>						
Yarmouth - Portland (4)	110,285 (129,852)	-15.1%	19,505 (22,497)	-13.3%	439 (440)	-0.2%

- (1) 1982 operated June 13 to September 12
1981 operated June 15 to September 12
(2) 1982 operated May 21 to October 16
1981 operated May 29 to October 24
(3) 1982 operated April 23 to December 20
1981 operated April 14 to December 20
(4) 1982 operated May 13 to October 30
1981 operated May 12 to October 19

* Revised totals

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

CN Marine purchased the 125 meter ferry "Jutlandica" in July, 1982, to replace the "Stena Nordica" on the North Sydney, N.S./Port aux Basques, Nfld., ferry service for the summer of 1982. The "Stena Nordica" had been under contract from Stena Line of Goteborg, Sweden.

CN Marine implemented a 6% across the board increase on all ferry and coastal service rates and charges effective January 1, 1983. The increases applied to passenger fares, passenger and commercial vehicles and freight rates in the Newfoundland and Labrador coastal service.

The new CN Marine ferry "Abegweit" went into service between Borden, P.E.I., and Cape Tormentine, N.B., during December. The new ice-breaking ferry, with a capacity of 250 automobiles and 900

passengers, was built at a cost of approximately \$50 million and replaced the original "Abegweit" which has been in service since 1947.

CN Marine announced changes to their ferry services between Nova Scotia and Maine during 1982-83. Effective January 30, 1983, CN Marine will only operate one service between Yarmouth, N.S., and Bar Harbour, Maine. Previously CN Marine operated a year round service between Yarmouth, N.S., and Portland, Maine, and during the summer months a service between Yarmouth, N.S., and Bar Harbour, Maine. The new consolidated service is to be initially supplied by the M/V "Marine Evangeline", with the M/V "Jutlandica" to be refitted and renamed "Bluenose" taking over in May of 1983. Prince of Fundy Cruises will continue to operate a seasonal service between Yarmouth, N.S., and Portland, Maine, from May to October using the vessel M/S "Scotia Prince".

A \$121 million contract was signed during January, 1983, for the construction of a new Gulfspan class ferry for CN Marine to operate between North Sydney, N.S., and Port aux Basques, Nfld. The ferry is scheduled to begin service in 1985.

GENERAL LEVEL OF RATES

Rail Rates - Domestic

During the year under review, domestic rail carload rates were subject to one general rate increase. Consistant with the 6/5 guidelines of the federal government's wage and price restraint program increases were held to a maximum of 6% for the 12 month period from June 29, 1982 to June 28, 1983, and will be limited to a further 5% increase for the following 12 months. This subject is covered in more detail in another section of this report entitled "6/5 Restraint Program".

Railway agreed charge rate increases were also held to a maximum of 6%.

Rail piggyback Plan II rates (door-to-door service using railway operated trailers transported on railway supplied flat cars) were increased during the year under review as follows:

<u>DATE</u>	<u>BETWEEN</u>	<u>AND</u>	<u>INCREASE</u>
May 12, 1982	Maritimes	Maritimes	10-23%
June 14, 1982	(From) Atlantic Provinces	(To) Quebec	12%
August 1, 1982	(From) Eastern Canada	(To) Western Canada	9.5%
November 5, 1982	(From) Ontario	(To) Atlantic Provinces	*6%
November 7, 1982	(From) Atlantic Provinces	(To) Ontario	*6%
January 1, 1983	Atlantic Provinces	Quebec	*6%
January 1, 1983	Eastern Canada	Western Canada	*6%

* Some rates were increased on an individual basis since June 29, 1982, and were not subject to this increase.

Rail Rates - International

During the year under review, international rail rates applying between Canada and the United States were subject to a 1% increase effective January 1, 1983, under Rail Carrier Cost Recovery Tariff X083.

Rail Rates - Express

During the year under review, CN/CP rail express rates applying from, to and within the Atlantic Provinces were adjusted as follows:

<u>DATE</u>	<u>TYPE OF RATE</u>	<u>FROM</u>	<u>TO</u>	<u>INCREASE</u>
May 10, 1982	General Scale	Ontario/Quebec	Atlantic Provinces	10%
May 31, 1982	General Scale	Atlantic Provinces	Ontario/Quebec	10%
June 14, 1982	Point to Point	Quebec	Atlantic Provinces	13%
November 16, 1982	Point to Point	Charlottetown, PEI	Ontario	#25-44%
November, 1982 to January, 1983	General Scale Point to Point	All Points	All Points	6%

Reduction from general scale rates previously available, applicable via CN Express only.

In addition to the above adjustments there were several other more specific rate increases which are too detailed to cover in this report. Also, effective March 14, 1983, CN Express added a single shipment minimum charge of \$35.00. Previously, the minimum charge for shipments via CN Express was set at the 75 pound rate level, except where shippers offer CNX 20 or more shipments per month. Such shipments were rated on the actual weight. This exception was eliminated on March 14 and all shipments became subject to the minimum charge per shipment at the 75 pound rate level, with the minimum single shipment charge being \$35.00.

Truck Rates

Truck rates from, to and within the Atlantic Provinces were increased during the period under review. The following table outlines the general rate increases for those highway common carriers who are members of tariff bureaux.

TABLE SHOWING TARIFF BUREAUX TRUCK RATE INCREASES

<u>Date</u>	<u>Application</u>	<u>Increase</u>
<u>Between The Maritime Provinces And Ontario</u>		
June 1, 1982	All Rates	LTL 3.1% (Note 1)
		TL 6.2% (Note 1)
October 15, 1982	All Rates	E/B 6.0% (Note 2)
		W/B 8.0%

<u>Date</u>	<u>Application</u>		<u>Increase</u>
<u>Between Newfoundland And Ontario</u>			
October 22, 1982	All Rates	LTL	3.5% (Note 1)
		TL	7.0% (Note 1)
March 7, 1983	Class & FAK	E/B	9.0%
<u>Between The Atlantic Provinces And Quebec</u>			
May 1, 1982	All Rates		7.0%
September 2, 1982	All Rates	LTL	1.0% (Note 3)
		TL	2.0% (Note 3)
October 18, 1982	All Rates	E/B	6.0%
		W/B	8.0% (Note 4)
<u>Within The Maritime Provinces</u>			
July 1, 1982	All Rates	LTL	3.3% (Note 1)
		TL	6.5% (Note 1)
December 1, 1982	All Rates		6.0%
<u>Between Newfoundland And Maritime Provinces</u>			
September 15, 1982	All Rates	LTL	2.0% (Note 1)
		TL	4.0% (Note 1)
September 15, 1982	Class & FAK		3.0% to 8.0%
	Commodity Rates		8.0%
April 1, 1983	Class Rates	E/B	6.0%
	All Other Rates		2.0%
<u>Within The Province Of Newfoundland</u>			
September 15, 1982	All Rates	LTL	2.5% (Note 1)
		TL	5.0% (Note 1)
September 15, 1982	Class & FAK		8.0% to 10.0%
	Commodity Rates		6.0% to 10.0%
April 1, 1983	All Rates		5.0%

The above table outlines the general rate increases for which exceptions were made for certain commodities.

References:

E/B - Eastbound

W/B - Westbound

LTL - Less Than Truckload

TL - Truckload

Note 1 - Fuel surcharges incorporated into the rate structure.

Note 2 - Truckload FAK rates not subject to this increase.

Note 3 - Fuel surcharge still in effect at March 31, 1983.

Note 4 - FAK rates not subject to this increase.

Maritime-Ontario Freight Lines, a major carrier operating between the Maritime Provinces and Ontario, is not a member of the tariff bureau and did not have a general rate increase during the period under review.

The through truck rates between the Maritime Provinces and the U.S. New England and Middle Atlantic territories were increased as follows:

<u>DATE</u>	<u>NEW ENGLAND</u>		<u>MIDDLE ATLANTIC</u>		
	<u>LTL</u>	<u>TL</u>	<u>LTL</u>	<u>TL</u>	
April 1, 1982	-	-	3.1%	10.7%	(Note 1)
April 1, 1982	6.5%	4.5%	7.0%	5.5%	
April 12, 1982	3.1%	8.7%	-	-	(Note 1)
November 22, 1982	-	-	2.0%	2.0%	
April 1, 1983	5.0% - 8.0%	8.0%	4.0%	4.0%	

Note 1: Fuel surcharges incorporated into the rate structure.

During the period under review, the majority of highway common carriers were either ordered by regulatory authorities or voluntarily cancelled the practice of assessing fuel surcharges and incorporated such charges into their rate structure. The exception was the member carriers of the Quebec Tariff bureau who still assess a fuel surcharge of 1% for less than truckload and 2% for truckload rates between Quebec and the Atlantic Provinces. The amount and effective date of fuel surcharges incorporated into rate structures are included in the preceeding general rate increase tables.

Pool Car And Domestic Water Rates

The pool car operators providing freight services from Ontario and Quebec to the Maritime Provinces increased their rates and charges by various amounts, with a maximum of 6% on November 15, 1982.

On July 1, 1982, the services of Newfoundland Steamships Limited and Atlantic Freight Lines between Montreal and Newfoundland were amalgamated and became Atlantic Container Express, Inc. There were no general increases in rates in relation to this service during the period under review.

ATLANTIC REGION FREIGHT ASSISTANCE

Payments under the Maritime Freight Rates Act and the Atlantic Region Freight Assistance Act for the year 1982 were roughly \$67 million, representing an increase of 6.3% from the previous year. 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>				
1982	8,394	30,453	381	39,228
1981	6,867	29,206	434	36,507
<u>Westbound-Basic</u>				
1982	9,546	11,414	-	20,960
1981	*10,630	9,633	-	*20,263
<u>Westbound-Selective</u>				
1982	3,257	3,958	-	7,215
1981	3,384	3,268	-	6,652
<u>Total Payments - Intra-Regional & Westbound</u>				
1982	21,197	45,825	381	67,403
1981	*20,881	42,107	434	*63,422
	+316	+3,718	-53	+3,981
	+1.5%	+8.8%	-12.2%	+6.3%

* Revised figures

Source: Canadian Transport Commission

Changes in the Intra Regional Subsidy

It will be recalled from last year's annual report that the federal government entered into agreements with the governments of the Maritime Provinces and the government of Newfoundland which provided, among other things, for reductions in the level of the intra regional freight assistance from 15% to 12½% effective April 1, 1982, and to 10% on April 1, 1983. There were also changes on April 1, 1982, in the minimum eligible billing advanced from \$10 to \$50 under the intra subsidy and from \$50 to \$100 under the selective westbound subsidy. The agreements provide major funding for a highway strengthening program begun in the spring of 1982.

During the past year, the APTC attempted, without success, to persuade the provincial governments to support a draft proposal for submission to the Federal Minister of Transport requesting that the subsidy level be held at 12½% and, in return, to adopt certain alternative selective changes designed to produce roughly the same savings in federal payments as those expected from the further drop in the assistance program.

The development of alternative selective changes by the APTC was in response to a resolution unanimously endorsed by eighteen trade associations who met under the auspices of the Atlantic Provinces Chamber of Commerce in Halifax in February, 1982, shortly after the announced changes in the program. As the first objective,

the APTC sought to identify selective changes in the application of the subsidy (i.e., the elimination of certain commodity movements from the eligible status) which could produce savings equivalent to a return to the 15% subsidy level on remaining eligible movements. It was concluded that this objective could not be met due to the enormity of the savings in the subsidy payments required (roughly one-third of the total payments) which could only be achieved by the elimination of many commodity movements and therefore unlikely to gain the acceptance of the region as a whole.

As a second alternative, the APTC developed a proposal for retaining the subsidy at the present level of 12½% as a permanent program in exchange for certain selective changes designed to produce roughly equivalent savings to the federal government as are expected from the presently scheduled reduction in the subsidy to 10% effective April 1, 1983. Following a further meeting of trade associations organized by the Atlantic Provinces Chamber of Commerce, the APTC proposals were endorsed by all fourteen associations represented and, in addition, received the specific endorsement of all pulp and paper companies in the Atlantic Provinces.

While changes in the subsidy program are under the direct control of the federal government, it was concluded that, without the full support of the Atlantic Provinces' governments, the proposals would not meet with acceptance. Accordingly, through the APCC, the proposed changes were submitted to the Minister of Transportation for New Brunswick who had agreed to coordinate with his counterparts in the other Atlantic Provinces and, if the proposals were acceptable, to initiate a meeting with the Federal Minister of Transport, along with industry representatives. The proposals were considered by the three Maritime Ministers responsible for transportation (excluding the Newfoundland Minister) at a meeting held in Charlottetown, P.E.I., on March 4, 1983.

Following the meeting of those Ministers, the APCC was advised that, "Unfortunately, the proposal forwarded to us on January 10 is not one which we can fully support although there is merit in some of the elements." The three Ministers further stated, "Your proposal places a great deal of emphasis on the importance of permanency with respect to the intra regional program, and this is consistent with our views. To emphasize our mutual objective we have written to the Federal Minister of Transport requesting his assurance that this program will be maintained on a permanent basis." The three Maritime Ministers concluded their response by noting that, "We assure you that we remain committed to obtaining the best possible policies from the Federal Government for our region, including maintaining the intra subsidy."

The Ministers' communication to the Hon. Jean-Luc Pepin does not request that the subsidy be held at 12½%. Consequently, the subsidy drops to 10% effective April 1, 1983, and freight rates which are subject to the subsidy will increase by approximately 3%.

Major Review of MFRA/ARFAA Subsidy Program

Near the conclusion of the year, Transport Canada revealed that a number of consultants have been invited to submit bids to

undertake a major review of both the intra regional and westbound transportation assistance under the Maritime Freight Rates Act and the Atlantic Region Freight Assistance Act.

The terms of reference for the study, which were not developed in consultation with the Atlantic Provinces (either the governments or industry groups), are entitled "MFRA/ARFAA Subsidy Program Industrial Impact Analysis".

The objective of the analysis, as stated in the terms of reference, is as follows:

- "1. For the transportation industry directly affected by the MFRA/ARFAA subsidy programs determine the economic and financial impact of complete or partial subsidy removal.
2. For the industries which are direct users of transportation services affected by the MFRA/ARFAA subsidy programs determine the economic and financial impact of complete or partial subsidy removal.
3. Provide a qualitative assessment on third parties likely to be affected by removal of the MFRA/ARFAA subsidies from industries, i.e., determine the parties involved and the significance of subsidy removal to them, e.g., consumers, labour."

Among specific areas to be identified through the study are:

- commodities for which subsidy removal could not be passed to the shipper and would be borne by the carrier
- extent to which westbound rates would not change if they are backhaul rates
- the effects of subsidy changes on carrier income; carrier profitability; carrier competition; trucking industry concentration; and shift to private trucking
- commodities with a very low sensitivity of market value to transportation and commodities not produced or processed in the region
- the impact of subsidy revisions on (a) higher prices as passed to purchasers and consumers; (b) loss of markets due to reduced accessibility in comparison with industries within the region and from other regions; and, (c) loss of income due to price inelasticities
- the impact in terms of consumer prices; labour; wage rates, and other third party effects.

The terms of reference further state:

"Drawing conclusions on the severity of the industry impact of possible revisions to the subsidy program shown below in the context of the region and its economy to the end of the decade.

- i) Refinement of selectivity criteria in intra subsidy
- ii) Complete removal of the intra subsidy
- iii) Eliminating known anomalies in the westbound program (e.g., household goods movements, low minimum billings)"

- "iv) Greater selectivity in the westbound subsidy program based on value added/transportation sensitivity
- v) Removal of the basic westbound subsidy in favour of a totally selective subsidy
- vi) Complete removal of the westbound subsidy"

The APTC views this as the most important study on transportation affecting the Atlantic Region since the appointment of the Royal Commission on Maritime Claims in 1925. Unfortunately, the terms of reference lack emphasis in relation to the ability of manufacturers and producers to compete in the marketplace in relation to certain inherent disadvantages faced by many companies located in this region (small and scattered regional market, extensive distances to reach major North American markets, and high inbound transportation costs to secure raw or semi-finished materials not available in this region). If this region is to retain the freight assistance programs which are considered to be essential to the maintenance and development of the regional economy, private sector industry must present a strong and united voice to the consultants and to the governments on this issue.

The APTC alerted industry groups and shippers generally throughout the Atlantic Provinces of this development through its news bulletin, "Tips & Topics", as well as direct mailings, and offered its assistance and expertise in assessing the implications of this study in relation to individual companies, industrial development and trade organizations. The terms of reference call for completion of the project within five months from the awarding of the contract. At the conclusion of the year, Transport Canada awarded the contract for this study to the consulting firm of Hickling - Partners, Inc., Ottawa, Ont.

MOTOR CARRIER REGULATORY REFORM

During the past year, the Atlantic Provinces Transportation Commission asked the governments of the four Atlantic Provinces to reform their motor carrier regulations in order to facilitate the establishment of additional carriers to ensure keen competition between carriers and transportation modes in the Atlantic Region. A four point recommendation, which was approved by the Directors of the APTC at its annual meeting held in Corner Brook, Nfld., on June 9, 1982, was submitted to the Ministers responsible for transportation in each of the Atlantic Provinces.

The specific motor carrier reform proposals recommended are:

- Simplification of licensing procedures and greater uniformity between the Atlantic Provinces, including joint hearings for extra provincial operating authorities.
- Motor carrier licenses be granted without a hearing if no objections are filed.
- A greater list of commodities that can be transported without the requirement for a motor carrier license.

- Contract motor carrier licenses should be granted automatically without a hearing, providing the carrier conforms to the provisions of the motor carrier act, such as adequate insurance and rate filing.
- Provisions for leasing and renting of vehicles should be clarified and made uniform in each of the Atlantic Provinces.

In developing these recommendations on motor carrier regulatory reform, as reported in last year's annual report, the APTC undertook a survey of selected transportation users in the Atlantic Provinces to obtain input from shippers as to the suitability of the present level of regulatory control over motor carriers. The results of that survey were published in November, 1981. It was apparent from the results of the survey that shippers largely favoured some degree of deregulation over motor carrier operating authority.

This survey was prompted by concerns of shippers over a trend to a decrease in the level of competition between motor carriers in the Atlantic Provinces. In part, this trend is the result of a concentration of ownership in the trucking industry serving this region and the difficulty for potential new entrants to obtain the necessary operating authority to permit the establishment of additional services.

To encourage an adequate level of competition, the APTC adopted the position that the time is right to relax controls over entry into the trucking business in this region. The APTC is of the opinion that the level of freight rates is largely influenced by the degree of competition between modes and carriers. These proposals are designed to increase competition and protect the shipping public against the imposition of unreasonable freight rates. The APTC position paper received the support of the Atlantic Provinces Chamber of Commerce, the Annapolis Valley Affiliated Boards of Trade, and the Atlantic Provinces Trucking Association.

The APTC regulatory reform proposal was also submitted to the Nova Scotia Motor Carrier Act Review Committee which, as reported in last year's annual report, was appointed by the Nova Scotia Government in 1981 to determine whether the interests of both the shipping public and the trucking industry are adequately served under the existing framework. Near the conclusion of the year under review, the completed report of the Committee had been submitted to the Nova Scotia Cabinet but the contents had not been made public.

In a related development, in the fall of 1982 the Council of Maritime Premiers commenced a review of not only motor carrier regulations but motor vehicle and other regulations governing trucking in the Maritime Provinces. It is understood that the main thrust of the Council's work will be towards uniformity of regulations in the three provinces. In January, 1983, the Project Coordinator for this review met with the APTC and was supplied with the APTC position paper and other background information concerning this subject.

The subject of motor carrier regulatory reform was also receiving attention in a number of other provinces during the past

year, with the Provinces of Quebec, Ontario, Manitoba and Saskatchewan all undertaking some review of their motor carrier acts and regulations. The Ontario Public Commercial Vehicle Act Review Committee, which was formed in June, 1981, has developed a "discussion paper" containing preliminary views of the Committee on the general direction in which the Ontario Government should develop new legislation to regulate the for-hire trucking industry. Included in this is the proposed elimination of the public necessity and convenience test and the use of a fitness test, including financial and managerial capability, plus the availability of an adequate transportation market. The Ontario Committee had not finalized its report and recommendations at the conclusion of the year.

Partial deregulation of entry controls into the for-hire trucking industry instituted in the United States during the past few years resulted in a large number of applications for operating rights by Canadian carriers, including carriers domicile in the Atlantic Provinces. During the past year, many of the applications of Canadian truckers were held up pending an investigation by the Interstate Commerce Commission into truck licensing reciprocity problems between the United States and Canada which ended in October when the ICC ruled that strict Canadian entry requirements are not hurting United States carriers. Before the ICC issued its findings, the United States Congress - through a provision of the Bus Regulatory Reform Act of 1982 - ordered the agency to stop processing applications by Canadian companies. The President, in late September, lifted the moratorium as it applied to applications by Canadian carriers for rights to haul traffic solely within the United States and, in late November, lifted the moratorium entirely as to Canadian carriers.

On March 18, 1983, the Motor Carrier Board of the Province of New Brunswick issued an order stating that the provisions of the Motor Carrier Act do not apply to a public motor truck being used to transport tablestock and seed potatoes from New Brunswick to destinations in the United States. This action, which allows the for-hire transportation of potatoes by motor carrier to the United States without the requirement of a motor carrier license, resulted from submissions made to the New Brunswick Government by the N.B. Potato Shippers' Association and the N.B. Potato Agency.

SHIPPING POLICY

On January 6, 1983, the federal government announced new policies respecting coastal shipping and shipbuilding and ship repair activity and the control over offshore activities.

In respect of the latter two items, the new policy calls for the extension of the Canadian customs and excise laws to goods used in resource exploration and development on Canada's Continental Shelf beyond the current 12 mile territorial limit. The shipbuilding industry assistance program will continue to encourage improvement in productivity and performance but production assistance will not be available for any new applications except

where the ship is to be completed and delivered before July 1, 1985. In addition, the extension of duty will be clarified and its application will become more uniform.

Insofar as the transport of goods by vessel between ports in Canada, the new policy will bring about the implementation of a Canadian coastal shipping policy rather than the Commonwealth shipping policy which has governed Canadian coastal shipping for the last half century. Under the new policy, Canadian built or foreign built but Canadian duty paid and Canadian registered ships will be required for movements between any two ports on the Canadian east coast. Ships not meeting these requirements will be permitted under waiver granted by the Canadian Transport Commission when no suitable Canadian vessel is available upon payment per month of duty based on 25% of 1/120 of the fair market value of the vessel. Goods moving between a Canadian east coast port and a Canadian west coast port may be moved either in a Canadian built and registered vessel or a foreign built and registered vessel whether its duty has been paid or not and no duty is payable on such foreign registered vessels if they are temporarily engaged in this inter-coastal trade under waiver. Furthermore, the extension of the custom's zone to include the Continental Shelf will bring supply vessels and exploration and exploitation development equipment within the scope of the coastal shipping legislation and it will result in vessels and equipment being used in this activity becoming subject to the shipping policy which would require Canadian built and Canadian registered or, at least, Canadian duty paid, before being permitted in that particular area of activity. There is a phase-in time for this policy.

In the policy paper, Transport Canada indicated that the concept of suitability, in determining whether a suitable Canadian ship is available, includes both technical and commercial aspects. It also indicated that part cargoes may be handled whereby the temporary entry duty would be applied proportionately according to the usage made of the ship's capacity down to a basic minimum payment.

The new shipping policy meets a number of concerns that the Atlantic Provinces marine transport using industry has expressed over previous attempts by the government to legislate a Canadian coastal shipping policy. It fails, however, to meet one major concern of the marine transport users - when no suitable Canadian ship is available and a waiver is granted by the Canadian Transport Commission, the ship would be subject to temporary duty when it is moving between two ports on the east coast of Canada. Users have previously stated that the application of duty under these circumstances does nothing to enhance the growth and development of Canadian shipping and simply adds a cost to the transportation of goods. They have compared it to the long established policy of customs duties on goods imported into Canada which are classified of a kind or class not made in Canada and consequently exempt from duty. If no Canadian ship is available, the question has been raised as to why should a foreign ship be subject to duty under a temporary waiver situation. The government has recognized the logic of such a position on intercoastal trade but has not done so on the purely coastal trade.

The APTC has communicated with the Marine Administrator of Transport Canada urging that this aspect of the new policy be adjusted so that ships being used in Canada under a temporary waiver authority not be subject to temporary duty.

Near the close of the year, the Marine Administrator for Transport Canada advised the APTC that its request had been rejected.

SHIPPING CONFERENCES EXEMPTION ACT REVIEW

Early in 1982, the Water Transport Committee of the Canadian Transport Commission announced that it would hold a public inquiry into the practices of shipping conferences and, in particular, into the operation of the Shipping Conferences Exemption Act of 1979. That Act is due to expire on March 31, 1984, unless extended by issuance of a proclamation. The Act provides qualified exemption for certain shipping conferences' practices from the provisions of the Combines Investigation Act.

Five public hearings were held across Canada beginning with a hearing in Halifax, N.S., on June 1, 1982. The APTC appeared at that hearing and presented a submission which supported the conditional exemption of the conferences from the Combines Investigation Act through the Shipping Conferences Exemption Act. Such an Act was seen by the APTC as a framework within which shippers receive some protection from the influence that the conferences could otherwise exercise over the marketing abilities of exporters. The APTC called for a better balance of power between the exporter and the conferences in the establishment of rates and related matters without the institution of a formal regulatory regime. To improve the bargaining power of exporters and to encourage competition, the APTC recommended that the Shipping Conferences Exemption Act prohibit the conferences from demanding more than 85% of an exporter's traffic unless the exporter, in his discretion, is prepared to offer a greater portion of his traffic.

Once again the APTC urged the CTC to recognize in its inquiry that the current practices of the steamship lines of equalizing ocean rates as between St. Lawrence and Atlantic ports is not in the interest of the Atlantic Provinces exporters and importers and the CTC recommend to the conferences that they take steps voluntarily to remove this discriminatory feature.

Addressing some of the specific questions raised by the CTC in its notice of inquiry, the APTC suggested that on matters of a broad nature, such as bunker surcharge and currency surcharge issues, the adequacy of information supplied by the conferences for the purposes of consultation and negotiation has been less than fully satisfactory. The APTC suggested that revisions to the Shipping Conferences Exemption Act should reflect the objective of encouraging competition in response to the CTC question as to the availability and sufficiency of non-conference services.

In response to the CTC's question as to the adequacy or competency of shipper groups and, in particular, the Canadian Shippers' Council to effectively represent their members, the APTC stated that the performance of the Council, given its limited resources, had been significant in representing shipper interests on a number of important matters. Means to strengthen the resources of the Council would increase its ability to represent the interests of exporters. The APTC recommended that conference member lines not serving Canadian ports directly be prohibited from voting on Canadian rate matters.

The APTC, through its membership in the Canadian Shippers' Council, also provided input to the submission of that body to the CTC public inquiry.

In early February, the report to the Minister of Transport of the CTC's public hearings was distributed to interested parties. Overall, the Committee recommended that the Shipping Conferences Exemption Act should be extended in a style generally similar to the current legislation for a period of five years. The following modifications in certain provisions of the Act were recommended by the CTC:

1. Noting that there was a difference of opinion between shippers in Eastern Canada versus Western Canada on the requirement that a shipper commit 100% of his traffic to the conference lines under the Loyalty Contract provisions, the Committee suggested a revision in the definition of patronage contract in Section 2 of the Act which would enable a shipper to commit only all goods of a certain class to carriage by the conference members. At present, the definition of patronage contract refers to all goods rather than all goods of certain classes.
2. The Committee recommended revision in the present Act which would provide for conciliation when negotiations between the conference and a shipper group were not successful. The conciliator would be appointed by the parties if they could agree and, if not, by the CTC.
3. The Committee concluded that, while the Canadian Shippers' Council is doing what it can to represent adequately and competently shipper interests, it was obvious to the Committee that smaller shippers, particularly in certain regions of the country, do not feel that their interests are fully represented. The Committee concluded that the Shipping Conferences Exemption Act was not the proper vehicle through which to address the ability of the Council to adequately carry out its mandate in representing shippers.
4. The Committee recommended that the Act be modified to permit the presence of the CTC as an observer at any shipper-conference consultation upon request of either party.
5. The Committee recommended that member lines of joint Canadian/US conferences which do not serve Canadian ports should not be able to influence conference decisions and this matter should be addressed in the revised legislation.

6. In respect of the APTC's request to address the rate equalization between Maritime and St. Lawrence River ports, the Committee indicated that it was of the opinion that the Act would not be the proper vehicle for the resolution of this issue.
7. The issue of multi-modal transport arrangements and whether such arrangements by conference members were exempt under the present Shipping Conferences Exemption Act, or whether they should be exempt in future, was raised by a number of parties. The conference members supported the position that multi-modal transport of goods was an issue which must be allowed to evolve without interference by government under any revised Shipping Conferences Exemption Act. Other parties, including the Halifax Board of Trade, raised the question of whether multi-modal transport should continue to be exempt under the legislation. The Committee concluded that the present Act provides for the exemption of multi-modal transport arrangements by member lines of the conferences. In the absence of any evidence presented during the inquiry that such arrangements are currently of disadvantage to Canadian interest, the Committee concluded that modifications to the Act to address these issues were not warranted at this time.
8. During the Committee's hearings, shippers in the Quebec City region brought to the attention of the Committee that the conferences operating on the North Atlantic were planning to eliminate Quebec City as a base port for tariff purposes. The Quebec City representation urged the Committee to prohibit the elimination of base ports from the conference's tariffs. The Committee found that the present Shipping Conferences Act specifically exempts the allocation of ports by a conference and further concluded that the Act was not the appropriate legislation under which to redress this matter.

Through the Canadian Shippers' Council and such other avenues as are appropriate, the APTC will continue to strive for such changes in the Shipping Conferences Exemption Act as will benefit this region's exporters.

SAINT JOHN CONTAINER ARBITRARY

In December, 1982, the ocean steamship conferences operating between Eastern Canada and the United Kingdom and Continental Europe advised the APTC that their member lines planned to implement an arbitrary charge on full containers moving on a house to house Saint John, N.B., bill of lading. Such a charge would end the long standing practice whereby container shipments originating at or destined to points in New Brunswick were issued a Saint John bill of lading and the conference lines absorbed that part of the inland transportation charges that exceed the cost of moving the container to or from Saint John. Therefore, while the container actually moved to or from Halifax, the exporter/importer paid inland transportation as if the container moved over Saint John.

At a meeting held on January 18, 1983, in Fredericton, N.B., representatives of the APTC and some exporting firms were advised by the Conferences' representatives that the proposed arbitrary would be \$250.00 per 20 foot or 40 foot container, effective April 1, 1983. The APTC and individual shippers strongly opposed the change in this policy because of its importance in assisting New Brunswick exporters compete in the European markets.

The conference lines, in announcing the arbitrary, stated that the lines have found it difficult to increase revenue and are examining all sources of additional revenue. In addition, the lines stated that they could no longer afford to absorb the amounts necessary under a Saint John bill of lading as inland freight costs had increased significantly over the years. Finally, the lines stated that all ports on both sides of the Atlantic not served directly by the conferences' members are being eliminated or subjected to an arbitrary and made reference to the establishment of arbitrary charges for the Ports of Quebec, P.Q., and Bordeaux, France. In response, spokesmen for the exporters stressed that difficult economic times were also being faced by companies and this arbitrary will fall exclusively on New Brunswick exporters and importers. In addition, it was pointed out that these same firms were subjected to a 14% increase in ocean rates at the beginning of the year and, unlike exporters in other ports of Canada, they were unable to benefit from the competitive services offered by non-conference lines such as CAST and Sofati operating out of the Port of Montreal.

On January 28, 1983, the Conferences' office in Montreal advised that the views expressed by the APTC and others were given careful consideration and the lines had decided to establish a Saint John arbitrary charge of \$180.00 per 20 foot or 40 foot container to become effective on April 1, 1983. The APTC replied again to the Conferences stating it still opposed the implementation of any arbitrary for cargo moving on a Saint John bill of lading.

6/5 RESTRAINT PROGRAM

Beginning in August, 1982, the federal government established a policy of restraint to reduce inflation. Known as the 6/5 restraint guidelines, mandatory limits were imposed on both wages and prices relating to federal departments, agencies and crown corporations, including Air Canada and CN Rail, with the policy also intended as a guide to restraint by the private sector on a voluntary basis. In response to a request from the APTC as to the application of the guidelines to rail rates, the Canadian Freight Association advised, in part, as follows:

"CN Rail and CP Rail will adopt pricing policies for much of their traffic with the 6/5 guidelines of the federal government's wage and price restraint program aimed at lowering Canada's inflation rate."

"At the request of Transport Minister Jean-Luc Pepin, increases to railway freight rates on domestic traffic and off-shore import traffic moving within Canada will be held to six percent for the 12 month period beginning June 29, 1982, and to five percent for the following 12 months.

"All import rates (including U.S. origins) are not exempt and fall within the guidelines. However we are presently attempting to have the Minister of Transport reconsider this item.

"All domestic rates in open tariffs or agreed charges which have been increased in excess of 6 percent effective since June 29, 1982, will be rolled back as quickly as tariff bureaux can make adjustments.

"Agreed charges applicable over the lines of CN and CP will similarly be held to the 6 percent maximum increase.

"As fuel price increases under the national energy program are not subject to the 6/5 guidelines, it will be necessary to consider adding a special charge on domestic and import freight rates to recover expected higher diesel fuel costs over the next two years."

Subsequently, the railways announced that effective January 1, 1983, a 6% increase will be applied to domestic open tariff rates which had not been increased since June 29, 1982. The railways also stated that the increased rates would expire on June 28, 1983, at which time a further adjustment to the rates within the restraint guidelines applying to the second year of the two-year period ending June 28, 1984. In a later announcement, the railways stated that they have been advised by Transport Canada that rail export traffic is also subject to the guidelines and such rates were increased on March 1, 1983.

The APTC and a number of other industry associations expressed concern to the Federal Minister of Transport over possible inequities in the railways' application of the 6/5 guidelines to rates in a time frame of less than two years. In reply, the Minister stated that he has asked the railways to keep him informed of their plans on the timing of rate increases within the two-year period of the program before the increases become effective if they are to take place within less than twelve-month intervals.

COMPETITION IN PRICING BETWEEN RAILWAYS IN CANADA

Responding to suggestions that the ability of the railways to practice collective rate-making should be examined, Transport Canada appointed Dr. Trevor Heavor of the University of British Columbia to conduct a study into the question of whether or not the provisions of the Railway Act and the Transport Act, which require or permit the railways to practice collective rate-making, should be modified or repealed.

The APTC prepared a statement which it filed with Dr. Heavor. The APTC took the position that, because of the limited area in the Atlantic Provinces served by two railways, any repeal of the

existing legislation would not hold significant benefits for this region of Canada. On the contrary, if the repeal of the existing provisions of the Railway Act were to result in increased competition between the two major railways in other parts of Canada, such competition could harm the relative position of Atlantic industry. Secondly, if competition between the two major railways elsewhere in Canada resulted in a loss of ability to recover a portion of their costs from such rail "competitive" traffic, such revenue losses may be recovered in full or in part from rail "noncompetitive" traffic such as in the Atlantic Provinces again worsening the position of this region. The APTC urged that greater use of joint routes and running rights be instituted to increase rail competition for Atlantic Canada.

The report of Dr. Heavor, released on March 11, 1983, generally calls for the continued permissive collective rate-making ability of the railways. The report recommends specifically as shown in the table below:

Segment of Railway Service	Recommendation
1. Class rates	Collective pricing required
2. Joint rates	Collective pricing required
3. Local commodity and competitive rates	Permissive collective pricing still necessary for railway efficiency and consistent with desirable distributional effects among shippers
4. Agreed charges	Agreement or participation by competing carriers should be made permissive
5. Special arrangement tariffs	Permissive collective action should be continued
6. General rate surcharges	CTC concurrence with cost and revenue forecasts for general rate surcharges should be required
7. Express services	Should be subject to constraints applicable to trucking services, not railway services
8. Intermodal services	Permissive collective pricing should continue
9. International traffic	Allow permissive collective pricing in Canada.

Reasons given for continuing collective rate-making are:

1. repeal of collective rate-making would have effect of lowering railway revenue without offsetting reduction in costs;
2. repeal of collective rate-making would impose additional transaction costs on shipper and carriers; and,
3. repeal of collective rate-making could affect rate relationships, e.g., rates Montreal-Saint John would be lower than Montreal-Moncton.

In releasing the report, Transport Canada called for reaction to the recommendations and a further consultative process with interested parties. The APTC will continue to participate in this process to ensure that the interests of Atlantic Provinces' industry are represented.

CONTAINERIZATION OF NEWFOUNDLAND TRANSPORTATION

During the past year, transportation services and facilities between the Canadian mainland and Newfoundland were subject to major changes and adjustments in the overall direction to containerization. To provide an opportunity to examine these developments, the APTC, in conjunction with the St. John's Board of Trade, organized a shipper/carrier conference in St. John's in May, 1982, at which time the subject was outlined and discussed.

Developments in the marine mode included a merger of two steamship services between Montreal and Newfoundland (Newfoundland Steamships Ltd. and Atlantic Freight Lines, Inc.) into a new company called Atlantic Container Express, Inc. (ACE). The new company established a regular frequent marine container service with the use of three container ships initially to both St. John's and Corner Brook, but the Corner Brook service was subsequently terminated due to insufficient traffic.

A second amalgamation of marine services took place during the summer at which time the Federal Commerce & Navigation Ltd. (Fednav) and Newfoundland Container Lines (NCL) services between Halifax and St. John's were combined into a new line called Atlantic Searoute Ltd. (ASL). The new operation provides a weekly service for both ro-ro traffic, as well as door to door containers between the Maritime Provinces and Newfoundland via Halifax and St. John's involving the use of a single vessel.

During the early part of 1982, TerraTransport (the Newfoundland operating division of Canadian National) implemented a rail container service to handle rail traffic to, from and within the Province of Newfoundland. The service uses I.S.O. standard and hi-cube containers that are transported by highway carrier to be loaded onto rail flat cars at designated transfer points. From these points, the containers move by rail and ferry to Port aux Basques, Nfld., at which point they are loaded to Newfoundland rail cars (narrow gauge) for delivery to consignee in Newfoundland, either directly by rail or by rail and highway carrier.

The move to rail containers by the railway was a decision made in 1980 in an attempt to recapture traffic lost to the competing water and truck modes. It is also an attempt to revitalize the railway following the rejection by both the federal and provincial governments and the general public of the 1979 recommendation of the Sullivan Commission that the railway in Newfoundland should be phased out over a ten year period.

Competition between TerraTransport and competing carriers, and particularly the marine container service of Atlantic Container Express between Montreal and Newfoundland, became very intense. From a user's point of view, this is very desirable so long as the carriers are able to sustain their services and remain viable.

The degree of carrier competition appeared to be more intense between Central Canada and Newfoundland than between the Maritime Provinces and Newfoundland. This is born out by rate comparisons revealing: (1) the existence of lower rates for like products from shipping points in Central Canada to Newfoundland as compared to rates from points in the Maritime Provinces to the same destinations; or, (2) more favourable rates in relation to distance (higher in absolute terms but lower mile for mile) from points in Central Canada as compared to rates on the same commodities from the Maritime Provinces to Newfoundland.

Because of concerns expressed by Maritime Provinces' shippers over a possible deterioration of their competitive position in the Newfoundland market, the APTC undertook an extensive evaluation of rates covering a wide range of commodities to identify the competitive relationship in transportation costs between Maritime Provinces' shippers and their least cost competitors in Central Canada to common market points in Newfoundland. This evaluation revealed that roughly 40 percent of the rates compared favoured Central Canadian locations, with the result that, to a major extent, Maritime Provinces' shippers suffer a direct transportation cost disadvantage in reaching the Newfoundland market in competition with shippers in Central Canada.

The unfavourable rate relationships from the Maritimes exist despite generally shorter distances to Newfoundland from the Maritimes as opposed to either land or water distances from Central Canada. Moreover, the disadvantage in rates from the Maritimes exists despite the application of the 12½ percent intra regional transportation subsidy which does not apply from Central Canada. The decrease in this subsidy from 12½ percent to 10 percent scheduled to take effect on April 1, 1983, will worsen the situation still further.

The information developed through this evaluation was supplied to each of the Maritime Provinces' shippers potentially affected by the competition from Central Canada, with the objective of assisting them to negotiate lower rates to Newfoundland to minimize the disadvantage many of them face. The Atlantic Provinces' Ministers of Transportation were also supplied information developed from this evaluation, especially in light of the scheduled reduction in the intra regional subsidy on April 1, 1983.

QUEBEC TARIFF BUREAU INCREASE

In June, 1982, the Quebec Tariff Bureau advised that its member carriers had filed a truck rate increase of 6% eastbound and 8% westbound between the Atlantic Provinces and Quebec to become effective on November 1, 1982. A meeting was held in the Quebec Tariff Bureau's offices in Montreal on September 14, 1982, at which time representatives of the Canadian Industrial Traffic League and the APTC were advised by the major carriers that they had amended their rate increase proposal to become effective on October 1, 1982, as follows:

Minimum Charge	6% both directions
Freight All Kinds Rates	6% eastbound no increase westbound
Commodity Rates	6% eastbound 8% westbound

The APTC expressed its concerns over this increase to the member carriers of the Quebec Tariff Bureau and to the Quebec Transport Commission whose approval of the increase was required. The main concerns expressed were: (1) the general commodity rate increase was discriminatory to shippers in the Atlantic Provinces due to a higher percentage increase being applied to westbound rates versus eastbound rates; (2) over the past year a higher over-all percentage increase on rates between Quebec and the Atlantic Provinces occurred as compared to Ontario - Atlantic Provinces rates, even though the carriers and commodities are basically the same; and, (3) the carriers were proposing to advance the effective date of the increase by one month from the original date and such short notice would be detrimental to shippers in the Atlantic Provinces.

On October 13, 1982, representatives of the APTC appeared at an informal hearing held by the Quebec Transport Commission at which time the position of the APTC on this general truck rate increase was explained. The increase was subsequently approved by the Quebec Transport Commission and became effective on October 18, 1982.

ELIMINATION OF POSTPAK SERVICE

The Canada Post Corporation filed notice in the Canada Gazette on October 22, 1982, of their intention to eliminate its Postpak service and rates effective January 15, 1983. The result of this action would be that shippers previously using this service would be required to use fourth class parcel service which was being expanded to cover parcels up to 30 kilograms. Postpak was a small parcel service in which a shipper could send a number of parcels to points in Canada using Post Office approved or supplied cartons or bags. Its elimination and resulting use of fourth class parcel service would result in increased costs to shippers, in some instances, in excess of fifty percent.

On December 1, 1982, the APTC corresponded with the federal Minister Responsible for the Canada Post Corporation expressing concern over the termination of the Postpak service. The concerns of the APTC were that for many small scale shippers in the Atlantic Region the magnitude of this increase would be extremely burdensome particularly during the tough economic times since the Postpak service was the only service available that allowed them to remain competitive in the marketplace. In addition, it was pointed out that the relatively short notice of the discontinuance of the Postpak service and resulting cost increase would make it difficult for shippers to seek out and evaluate alternative transportation services. Finally, the APTC stressed that the magnitude of the freight cost increases to the shippers using Postpak would far exceed the six percent guidelines as adopted by the federal government.

The APTC requested that the Canada Post Corporation amend its regulations by reinstating the former Postpak service and rates subject to a maximum six percent increase. It was further stated that if it was the desire of the Corporation to eliminate Postpak then this should only be done after consultation with the shippers using the service and after ample time had been provided for a phase out of the service.

On January 15, 1983, the Postpak service offered by the Canada Post Corporation was eliminated.

In a letter dated January 24, 1983, the Minister Responsible for the Canada Post Corporation in reply to the APTC's submission, advised that the elimination of Postpak service was a business decision based on the fact that the service did not meet the growth projections expected when the service was first introduced eleven years ago. In addition, the Minister advised that the increase in size and weight limits for fourth class mail would make the parcel service available to all Canadians and not just to a select few commercial customers.

The APTC again communicated with the Minister by letter of March 24, 1983, stating that Canada Post's decision to make a parcel service available to all Canadians and not just a select few commercial shippers could still have been achieved and the Postpak service retained at the same time. It was again emphasized that the APTC's concern in this matter was the unilateral decision of Canada Post, without prior consultation with industry, to withdraw a service that had been marketed and promoted for eleven years and that the resulting cost increase for shippers was far in excess of the federal price restraint guidelines.

"CROW" RATE ADJUSTMENT POLICY

In February, 1983, the federal government announced details of the long awaited policy on the statutory western "Crow" grain rates, along with decisions on western rail transportation to expand rail capacity, improve the grain transportation system and assist agricultural and industrial development. Highlights of the announcement are:-

- a statutory annual payment of a "Crow Benefit" of \$651.6 million;
- a sharing by government and producers of future increases in the cost of grain transportation;
- a phased-in system of payments to the railways and producers;
- a Grain Transportation Agency to supersede the Office of the Grain Transportation Co-ordinator;
- specific railway performance and investment guarantees;
- a stipulation that grain freight rates will continue to be generally distance-related;
- the addition of canola and linseed oil and meal under the new statutory regime; and,

- a major review of the method of payment and cost-sharing arrangements in 1985/86.

The government will also purchase up to 3,840 hopper cars over the next three fiscal years at an estimated cost of \$290 million and will continue to fund until 1989 the branch line rehabilitation program at an added cost of \$670 million.

The federal government had earlier appointed Dr. J. C. Gilson to conduct formal discussions as to the best method to resolve the problems associated with the Crow rates. Among the findings and recommendations of the resulting Gilson report, it was recommended that payments related to the railways' deficits in moving Crow grain be paid in a large measure (80% by the year 1989-90) to producers without regard as to whether or to what extent Crow grain is actually shipped by a given producer. Subsequent to the Gilson report and before the adoption of its policy to resolve the Crow problems, the federal government appointed a "working group" to examine the effects of the Gilson recommendations on eastern agriculture. A number of organizations and provincial government agricultural departments in the Atlantic Provinces, including the APTC, made submissions to the working group. The main thrust of these presentations was concern that blanket payments to western producers would give western agricultural activities an advantage over similar activities in the Atlantic Provinces and worsen what is already a very fragile competitive position faced by livestock producers in Atlantic Canada. The APTC submission also stressed the importance of feed freight assistance, combined with the corn competitive pricing mechanism, as being vital to livestock and poultry producers in the Atlantic Provinces.

In response to concerns from various sources over the method of payment, the government's policy calls for the implementation of the Gilson recommendations only up to the beginning of the 1986/87 crop year, at which time approximately 50% of the Crow benefit payments will be going to producers and 50% to the railways, with any further progression of payments to producers requiring a decision by Parliament.

At the conclusion of the year, the introduction of legislation was still pending.

POTATO STUDY

In response to a request from Transport Canada, the APTC undertook a detailed analytical review of transportation matters relating to potatoes, which involved numerous interviews of individuals in the potato industry in the Provinces of Prince Edward Island and New Brunswick. The assessment determined: (a) the awareness of the potato industry of the steps taken by Transport Canada and their effectiveness in improving the transportation system for Maritime potatoes; (b) the extent to which involvement of Transport Canada in such projects was beneficial to the industry; and, (c) what future steps should be taken by Transport Canada in the transportation and distribution of potatoes. Of prime significance to APTC, the Report also identified current

major transportation problems as well as assessing changes in the transportation/distribution of potatoes which would enable improved flow of product to market.

The Report was presented to Transport Canada in June and both APTC and Transport Canada have worked and will continue to work on the areas of concern identified in the analysis. The APTC acknowledges the cooperation extended to it during the course of the study by the potato industry in New Brunswick and Prince Edward Island.

1982 TRANSPORTATION DIRECTORY

The 1982 edition of the "Atlantic Provinces Transportation Directory" was issued by the APTC in May. This is the third edition of this directory which is designed to assist firms doing business in the Atlantic Provinces with information covering all modes of transportation, including air, highway, rail and water. The 1982 directory includes a highway carrier routing guide and a section on small parcel services. Also included is a listing of the general freight carrier licenses and specific commodity motor carriers serving the four Atlantic Provinces. Other information featured includes - sufferance warehouses; customs brokers; pool car/freight forwarder services; claim procedures; a highway size and weight chart; and a highway distance table.

The transportation directory is the only publication issued by the APTC for which a fee is charged. That fee is designed to recover the out of pocket costs associated with publication and distribution. Sales have been steady and have met expectations.

SERVICE TO INDUSTRY

The primary objective of the APTC is to assist business and industry in the Atlantic Provinces to become more competitive in the marketplace insofar as transportation costs and services are concerned. Much of the work done by the APTC is of a very specific nature and, because of that, confidential. It is not possible to provide detailed coverage of those activities in this report. However, to provide an indication of the range of matters that have been dealt with, the following information is provided.

A Nova Scotia **poultry** producer sought the assistance of the APTC in establishing rates and service on inbound rail carload shipments of feed, as well as the clarification of the application of feed freight assistance to the new rates.

A local New Brunswick Chamber of Commerce requested a comprehensive rate statement outlining existing rates and charges for the shipment of **LTL traffic** to and from the area.

An extensive analysis of inbound transportation costs for a variety of materials was completed for a manufacturer of **heavy water** in Nova Scotia.

Assistance was given to a manufacturer of **tires** in Nova Scotia in the clarification of the rules applicable in determining the correct application of the currency surcharge on piggyback traffic to the United States. Arguments were made to the railways on the shipper's behalf.

Containerload rates were secured for the movement of processed **peat moss** on behalf of a Newfoundland producer for shipments to Ontario and the United States.

A New Brunswick utility was assisted in the preparation for the negotiation of rail carload rates applicable to the movement of a large quantity of **coal**. The utility was also assisted in its investigation of the transportation of **coal** in slurry form.

In response to an inquiry from the Freight Audit Service, the APTC investigated the level of rates on **moulding sand** from New Jersey. A discrepancy was found and action taken with the United States railway concerned which saw the rates returned to their proper level.

An analysis of rail carload and truckload rates for inbound **raw materials** and outbound finished products was undertaken on behalf of two Nova Scotia manufacturers of **upholstered furniture**.

Negotiations were carried out on behalf of the various tobacco marketing boards of the Maritime Provinces with the carriers concerning the freight rates applicable on piggyback shipments of **tobacco** shipped from the Maritimes to Central Canada.

A manufacturer of **scouring pads** in New Brunswick was provided with a detailed analysis of outbound shipping costs and services for LTL shipments of its product to destinations across Canada.

A study was completed for a Nova Scotia sawmill operator on the inbound and outbound transportation costs and location for a **lumber** distribution facility to serve both the domestic and export markets.

A Nova Scotia **food processor** was assisted in negotiations with the railways for rail carload and containerload rates on its products to Newfoundland destinations.

A major study into the distribution of **frozen fish** and fish products from Newfoundland was completed on behalf of several of the larger fish processing companies.

Prince Edward Island potato growers were assisted in their negotiations with the railway for rail carload and piggyback rates on **potatoes** to Central Canada.

A number of companies throughout the region were assisted with applications to have products become eligible to receive the **selective westbound subsidy** under the Atlantic Region Freight Assistance Act.

The APTC continued to receive a number of inquiries from both industry and carriers concerning the settlement of loss and damage **claims**. The APTC is not an arbitrator in such matters but advice is provided based on past experience and knowledge, as well as the availability of technical articles and material that are contained in the APTC library.

In response to direct requests, the APTC prepared over thirty statements showing freight rates on a variety of commodities to and from the Atlantic Region via rail, truck, piggyback and air, or various combinations. Also, a number of inquiries were received from companies in this region seeking information on current or potential ocean rates for various products to and from points throughout the world.

The APTC again prepared an extensive tabulation of freight rates applicable on rail carload, truck and piggyback shipments of **potatoes** from New Brunswick and Prince Edward Island to destinations in Canada which was widely distributed to the potato industry. A similar statement is also prepared and distributed to the **fish meal** industry.

MEETINGS AND CONFERENCES

During the year under review, the APTC Chairman or senior staff members were called upon to attend many meetings, conferences, and to speak or to report to various groups and organizations. A summary of these activities follows:

<u>DATE</u>	<u>CONFERENCE/MEETING/ORGANIZATION</u>	<u>NATURE OF PARTICIPATION</u>
<u>1982</u>		
April 26	Atlantic Provinces Chamber of Commerce Directors	Report
April 28	Canadian Feed Industry Assoc. Annual Meeting	Panelist
June 3	Maritime Lumber Bureau Annual Meeting	Report
June 7	Atlantic Provinces Chamber of Commerce Annual Meeting	Report
August 27	Annapolis Valley Affiliated Boards of Trade	Panelist
September 13	Atlantic Provinces Chamber of Commerce Directors	Report
October 22	Atlantic Provinces Trucking Assoc. Annual Conference	Panelist
October 22	Community Planning Assoc. & Transport 2000 Symposium	Address
October 25	Newcastle-Chatham Chamber of Commerce	Address
October 26	Purchasing Management Assoc. of Canada	Address
November 10	Traffic Club of Saint John	Address
November 29	Atlantic Provinces Chamber of Commerce Directors	Report
December 1-2	Canadian Feed Industry Assoc. Semi-Annual Meeting	Report
December 3	New Brunswick Potato Shippers' Assoc. Annual Meeting	Report
<u>1983</u>		
January 17	Purchasing Management Assoc. of Canada	Address
February 3	Nova Scotia Forest Products Assoc. Annual Meeting	Report
March 14	Atlantic Provinces Chamber of Commerce Directors	Report
March 24	University of New Brunswick - Transportation Seminar	Address

OTHER ACTIVITIES

During the past year almost 8,500 Rate Advices were issued by the APTC, an increase of 37% over the previous year. These notices are designed to advise companies in the Atlantic Region of rate changes being made by various carriers that are of direct or indirect interest to this region's manufacturers and producers.

Fourteen circular letters covering a number of subjects were directed to a specific industry or industry group during the year under review. Tips and Topics, the APTC newsletter continued to be published monthly during the past year with a circulation of approximately 3,300 copies.

During the year, the APTC was called upon for assistance by provincial government departments and other industrial development agencies for transportation information for new or expanded industrial plants. Approximately eighteen of these inquiries were dealt with during the past year.

In conjunction with the Canadian Air Cushion Technology Society, the Atlantic Provinces Chamber of Commerce and the APTC co-hosted the 1982 Air Cushion Technology Symposium in Charlottetown, P.E.I., from October 19 to 22. The Symposium which is the only annual event of its kind in the world drew delegates from Asia, Europe, and North America.

Close association has been maintained by the APTC during the year with a number of organizations, both within and outside the Atlantic Region. Specifically, a close liaison has been maintained with the Atlantic Provinces Chamber of Commerce, the Atlantic Division of the Canadian Industrial Traffic League, the Atlantic branches of the Canadian Manufacturers' Association, the New Brunswick Potato Shippers' Association and the Prince Edward Island Potato Marketing Board. The APTC is represented on the Transportation Committees of the Canadian Feed Industry Association (Atlantic Division), the Maritime Lumber Bureau, the New Brunswick Trade Development Board, the Nova Scotia Forest Products Association, and the Voluntary Planning Group of Nova Scotia.

The APTC has maintained membership in such groups as the Atlantic Provinces Economic Council, the Canadian Association of Physical Distribution Management, the Canadian Transportation Research Forum, the Canadian Shippers' Council, and the Greater Moncton Chamber of Commerce. The General Manager of the APTC serves as Secretary of the Canadian Transportation Research Forum, a member of the Canadian Chamber of Commerce Transportation Committee, a member of the Water Transport Sector Committee and the Working Group on Tariff Conversion of the Metric Commission. The Chairman of the APTC serves as a Director of the Atlantic Provinces Chamber of Commerce and the General Manager is an ex-officio Director.

DIRECTORS

After serving as an APTC Director for twenty-one years, Norman H. Smith of St. John's, Nfld., resigned effective June 9, 1982. Mr. Smith was appointed as a Director of the Commission by the Board of Trade in 1961 and attended his first Directors' meeting on June 8, 1961. He holds the distinction of being the first and only Chairman of the Commission from Newfoundland. He was elected Vice-Chairman of the Commission on February 17, 1970, and served as Chairman from 1974 through 1976. He also had a very distinguished record in attending Commission meetings having rarely missed one. His colleagues on the APTC Board of Directors join in extending to Mr. Smith their thanks and appreciation for his long standing and faithful service. They extend to him very best wishes for the years ahead.

The Atlantic Provinces Chamber of Commerce has appointed Mr. S. R. Winter, President of Terra Nova Brokers Limited of St. John's, to fill the vacancy.

During the year the term of appointment for Mr. C. M. McLean, Sr., of Charlottetown to the APTC Board of Directors expired and Mr. George Key, President of JO-EL Investments of Summerside, was appointed by the Atlantic Provinces Chamber of Commerce to be an APTC Director replacing Mr. McLean. The APTC Directors extend to Mr. McLean their thanks for the contribution he has made to the Commission during his eight years as a Director of the Commission.


ACKNOWLEDGEMENTS

Excellent cooperation has been received by the APTC during the past year from all transportation interests. Such cooperation is mutually beneficial and to the carriers and their agencies, the Directors of the APTC express their appreciation and thanks.

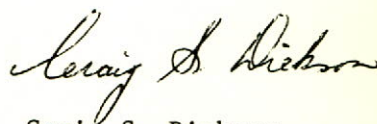
The continued support and dedication of the APTC Board of Directors to the work of the Commission is in no small way responsible for the achievements of the Commission. The Chairman and General Manager express their sincere thanks to the Directors for the guidance and direction given during the past year.

No organization can be successful without a dedicated staff prepared to discharge their duties in a loyal and efficient manner. The Commission has been fortunate to have a staff capable and willing to carry out their responsibilities in such a manner. On behalf of the Directors, the Chairman and the General Manager express their sincere thanks and appreciation to the staff for their services during the past year.

All of which is respectfully submitted.



Elwood L. Dillman
Chairman



Craig S. Dickson
General Manager

