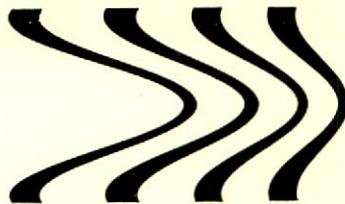


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TRANSPORTATION
REVIEW
AND
ANNUAL REPORT

... 54th Year of Service

Atlantic Provinces Transportaion Commission



**TRANSPORTATION REVIEW
AND
ANNUAL REPORT FOR THE
YEAR ENDED MARCH 31, 1979**

The Atlantic Provinces Transportation Commission has offices at 236 St. George Street (Room 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 R. J. Thornhill
Minister of Development
Province of Nova Scotia
Halifax, N. S.

Honourable Charles Brett
Minister of Transportation
& Communications
Province of Newfoundland
St. John's, Nfld.

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

Honourable John H. Maloney, MD
Minister of Industry & Commerce
Province of Prince Edward Island
Charlottetown, P. E. I.

Sirs:

On behalf of the Directors, I am pleased to present this Transportation Review and Annual Report of the Atlantic Provinces Transportation Commission for the period April 1, 1978, to March 31, 1979. 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 1978-79.

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 the four Atlantic Provinces.

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,

A handwritten signature in black ink, appearing to read "George D. Wright".

George D. Wright
Chairman

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**DIRECTORS OF THE
ATLANTIC PROVINCES TRANSPORTATION COMMISSION
AS AT MARCH 31, 1979**

Honorary Chairman — Dr. A. Murray MacKay, Halifax, N. S.
NOVA SCOTIA

Government

Charles B. Christie
D. J. MacDougall
L. J. Hayes

Amherst, N. S.
Halifax, N. S.
Halifax, N. S.

Atlantic Provinces Chamber of Commerce

David G. Burchell
E. L. Dillman
C. A. Meisner

North Sydney, N. S.
Hantsport, N. S.
Bridgewater, N. S.

NEW BRUNSWICK

Government

Glendon Eddy
F. H. Hatfield
D. G. Wales

Bathurst, N. B.
Hartland, N. B.
Fredericton, N. B.

Atlantic Provinces Chamber of Commerce

F. J. Crease
E. M. S. Fisher
Aurele Turcotte

Saint John, N. B.
Sackville, N.B.
St. Francois, N. B.

PRINCE EDWARD ISLAND

Government

K. A. MacKenzie
G. D. Wright

Charlottetown, P. E. I.
Central Bedeque, P. E. I.

Atlantic Provinces Chamber of Commerce

Donald MacKenzie
C. M. McLean

O'Leary, P. E. I.
Charlottetown, P. E. I.

NEWFOUNDLAND

Government

R. S. Chancey
E. J. O'Brien

St. John's, Nfld.
St. John's, Nfld.

Atlantic Provinces Chamber of Commerce

H. Manuel
Norman H. Smith

Corner Brook, Nfld.
St. John's, Nfld.

ALSO

President, Atlantic Provinces Chamber of Commerce

STAFF

Craig S. Dickson, General Manager
Ramsay M. S. Armitage, Assistant General Manager
Lorne M. Mitton, Transportation & Distribution Officer
Roger Breau, Assistant Transportation & Distribution Officer
Austin Durant, Senior Traffic Analyst
Peter Vuillemot, Traffic Analyst
Dale Ronalds, Assistant Traffic Analyst
Glenn Gildart, Assistant Traffic Analyst
Sheldon B. Steeves, Research Officer & Accountant
Debbie Cain, Senior Tariff Clerk
Charles Mollins, Junior Tariff Clerk
Cathy Peters, Staff Secretary
Susan Wilson, Assistant Staff Secretary
Carolyn MacIntosh, Assistant Staff Secretary

1978 - 1979

EXECUTIVE

COMMITTEE



GEORGE D. WRIGHT

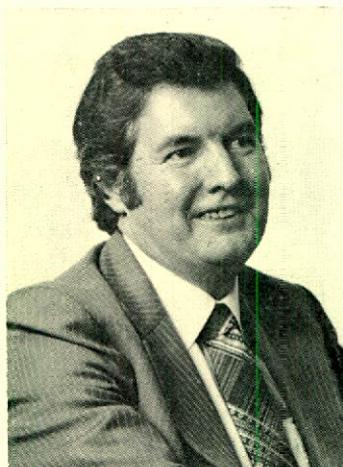
Chairman

President

Campbell & Burns Limited

Central Bedeque

P.E.I.



E. L. DILLMAN

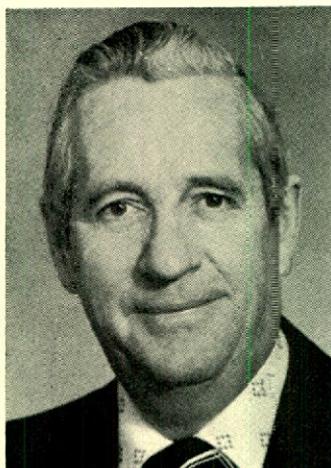
Vice-Chairman

Traffic Manager

Canadian Keyes Fibre Co. Ltd.

Hantsport

N. S.



GLENDON EDDY

Bathurst, N. B.

1978 - 1979

EXECUTIVE

COMMITTEE



D. J. MacDOUGALL

Director, Transportation Policy
and Planning
Province of Nova Scotia
Halifax, N. S.



K. A. MacKENZIE

Director of Transportation
Province of Prince Edward Island
Charlottetown, P. E. I.



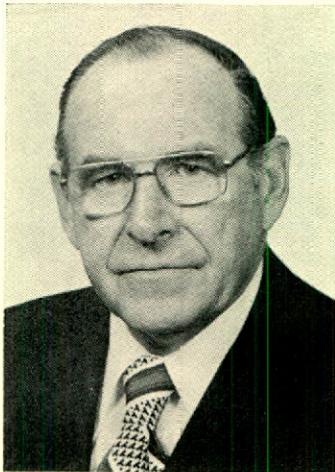
E. J. O'BRIEN

Director of Transportation
Province of Newfoundland
St. John's, Nfld.

1978 - 1979

EXECUTIVE

COMMITTEE



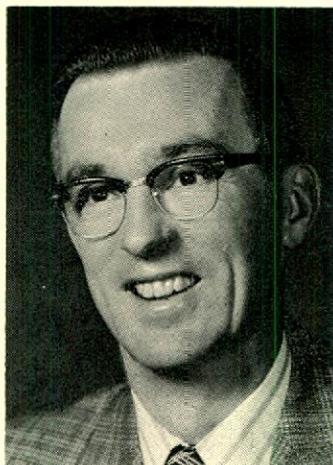
NORMAN H. SMITH

St. John's, Nfld.



D. G. WALES

Senior Transportation Policy Officer
Province of New Brunswick
Fredericton, N. B.



CRAIG S. DICKSON

General Manager
Moncton, N. B.

COMMISSION STAFF



LEFT TO RIGHT: seated — Ramsay Armitage, Cathy Peters, Craig Dickson, Susan Wilson, Lorne Mitton; standing — Debbie Cain, Roger Breau, Charles Mollins, Peter Vuillemot, Glenn Gildart, Austin Durant, Sheldon Steeves, Dale Ronalds, Carolyn MacIntosh.

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 and 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 over-all 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 submission in regards 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 (Room 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

Canadian National Railways reported preliminary profits of \$136 million in 1978, the highest in the Crown corporation's history. This compares to profits of \$28 million in 1977 and \$11 million in 1976. Approximately \$60 million of the 1978 increase reflected savings in interest charges resulting from the passage of CN recapitalization legislation in June 1978. Profits from the CN Rail operation were \$257 million, up 25 percent from a year earlier. While the Annual reports of Canadian National and Canadian Pacific were not available at the time of writing, indications are that CP Rail also had a good year with reported 1978 earnings of \$63.5 million, up 16% from the \$54.8 million reported for 1977.

Railway carloadings in Canada were down in 1978, as shown in the table below:

Railway Carloadings 1978

	1978 (Tons X'000)	1977 (Tons X'000)	% Change
Carload Traffic Loaded	241,167	249,946	- 3.5
Non-Carload Traffic Loaded	994	1,166	-14.7

Source: Statistics Canada Railway Carloadings, December 1978, Catalogue 52-001

Payments received to December 31, 1978, by both major railways under terms of the National Transportation Act in respect of the maintenance of services on uneconomic branch lines and unprofitable passenger services which are required to be maintained in the public interest are outlined below:

Subsidies Paid to Canadian National Railways and Canadian Pacific Limited Under Terms of the National Transportation Act in Respect of Year 1977

	(Payments to December 31, 1978)			
	Canadian National Railways		Canadian Pacific Limited	
Sections 256 and 258 of the Railway Act	Claimed	Paid	Claimed	Paid
In respect of uneconomic branch lines	\$ 76,317,552	\$ 44,394,806	\$ 62,447,847	\$ 39,354,548
Section 261 of the Railway Act				
In respect of unprofit- able passenger service	\$ 214,292,062	\$ 158,928,653	\$ 51,392,245	\$ 38,149,065
Totals:	\$ 290,609,614	\$ 203,323,459	\$ 113,840,092	\$ 77,503,613

Source: Canadian Transport Commission, Twelfth Annual Report

A further breakdown of the subsidies paid for uneconomic branch lines and unprofitable passenger services on a regional basis is shown below. A detailed breakdown by region is not available for uneconomic branch lines, however, payments for unprofitable passenger services east of Montreal increased by approximately 13% over the previous year. Correspondingly, payments to the rest of Canada increased by approximately 8%.

**Payment to Canadian National Railways and
Canadian Pacific Limited Under Terms of the
National Transportation Act in Respect of Year 1977**

(Payments to December 31, 1978)

	Atlantic Provinces	Central Canada	Western Canada	Through Services Between Central and Western Canada
Canadian National Railways				
Section 256 (unprotected branch lines)	Note 1	Note 1	Note 1	Nil
Section 258 (guaranteed branch lines)	Nil	Nil	Note 2	Nil
Section 261 (passenger train services)	\$35,184,404*	\$62,442,307	\$14,134,192	\$47,167,750
Canadian Pacific Limited				
Section 256 (unprotected branch lines)	Note 3	Note 3	Note 3	Nil
Section 258 (guaranteed branch lines)	Nil	Nil	Note 4	Nil
Section 261 (passenger train services)	\$ 3,954,494	\$ 3,604,442	\$ 1,042,572	\$29,547,557

* Includes Maritime passenger train services east of Montreal which cover a major part of the Province of Quebec.

Note 1 — Analysis of claims by individual branch lines is not complete for all branch lines. Therefore, payments to December 31, 1978, to Canadian National Railways are shown only as a total of \$1,827,259.

Note 2 — Analysis of claims by individual branch lines is not complete for all branch lines. Therefore, payments to December 31, 1978, to Canadian National Railways are shown only as a total of \$42,567,547.

Note 3 — Analysis of claims by individual branch lines is not complete for all branch lines. Therefore, payments to December 31, 1978, to Canadian Pacific Limited are shown only as a total of \$1,373,502.

Note 4 — Analysis of claims by individual branch lines is not complete for all branch lines. Therefore, payments to December 31, 1978, to Canadian Pacific Limited are shown only as a total of \$37,981,046.

Source: Canadian Transport Commission, Twelfth Annual Report

The Canadian Transport Commission released a report on December 18, 1978, in which it was recommended that the Maritime rail passenger system be restructured to provide two inter-regional trains daily; one operating between Montreal and the Maritimes over CP lines between Saint John and Montreal and CN lines between Saint John and Halifax via Moncton, with the second train operating over CN lines through Campbellton and Mont Joli, Que., to Moncton. In addition, the preferred plan recognized the operation of local trains between Montreal and Matapedia and between Moncton and Matapedia. Under the plan, the Montreal to Moncton train via Campbellton would be extended to Halifax if the demand warrants it. The inter-city services between Halifax, Moncton and Saint John and between Sydney, Truro and Halifax would be established to run opposite the trans-continental schedules, thereby increasing passenger service. The report recommended an implementation date of April 30, 1979.

During the period under review, the Canadian National Railways applied to the Canadian Transport Commission to abandon 25.61 miles of track between the Mt. Stewart junction and Montague in Prince Edward Island, including the Georgetown spur (4.8 miles). As of the time of writing, the matter has not been set down for a hearing by the C.T.C.

In August, 1978, the Canadian Transport Commission ordered the Canadian National Railway to reopen the railway's Bonavista Branch line in Newfoundland. Some 300 feet of track was washed out in December, 1977, and CN had planned not to restore the line but to utilize trucking in its place.

In July, 1978, the Commission of Inquiry into Newfoundland Transportation (Sullivan Report) was released. This subject is covered in detail in another section of this review.

On November 16, 1978, Transport Minister Otto Lang introduced Bill C-20 in the House of Commons, an act to amend the National Transportation Act. Many of the provisions of this new Bill are similar to the former Bill C-33 that failed to receive passage during the previous session of Parliament. With the dissolution of Parliament and the calling of a general election, this Bill also failed to receive passage.

During the year in review the Federal Government passed Bill C-17, an act that provided for the recapitalization of Canadian National

Railways. Cited as the National Company Cancellation of Debt Order, the act provided for the cancellation of \$808 million in debts owed by the Canadian National to the Federal Government.

In March, 1979, Canadian National Railway announced the establishment of a separate division to operate and maintain the railway in Newfoundland. The new Newfoundland Transportation Division of CN was formed to strengthen the administrative and operational functions of rail service in that province.

Highway

New uniform highway weight regulations became effective in the Maritime Provinces during April and May, 1978, and in Newfoundland in March, 1979. The regulations were a result of a 50-50 cost sharing agreement between the Federal Government and the four Atlantic Provinces for highway strengthening and improvement. The Federal Government committed \$100 million to the Atlantic Provinces for highway improvements which will permit standard limits on the arterial system.

The results of the new weight regulations were increased payloads for certain types of tandem and tri-axle freight vehicles, especially in Nova Scotia, thus lowering the per unit cost of moving goods. Some of the higher allowable weights are restricted to designated highways only.

Spring weight restrictions for 1979 were implemented earlier than usual in the Maritime Provinces due to mild temperatures and record rainfall. No highway carriers operating within the Atlantic Provinces imposed a rate surcharge during the 1979 spring thaw period; however, for shipments moving between the Maritime Provinces and points in Quebec and Ontario a surcharge was imposed by some carriers when the weight limitation significantly reduced payloads (i.e., 90% or less of normal allowable gross weights).

Air

In May, 1978, Eastern Provincial Airways announced that they were negotiating with the Federal Government to purchase three de Havilland DASH-7 Aircraft to replace the Hawker-Siddeley 748's used by EPA on their short haul operations.

During the period in review, Air Canada purchased Nordair Ltd. of Montreal, Canada's second largest regional air carrier. However, in November, 1978, the Federal Government announced plans to return the regional carrier to private hands within 12 months. As of the time of writing, four bidders were negotiating with Air Canada for Nordair, including Eastern Provincial Airways.

During the summer of 1978, CP Air formally asked Transport Canada to permit the Air Transport Committee of the Canadian Transport Commission to authorize an extension of the airline's transcontinental service from Montreal to Halifax. In an announcement in November the Government stated it would not object to CP Air's application to the C.T.C. to fly into Halifax. Subsequently, CP Air prepared a formal submission to the C.T.C. to secure such approval. In March, 1979, CP Air was granted the right by a Federal Cabinet order to compete with Air Canada on an equal basis on transcontinental air routes. Previously, CP Air was restricted to 25% of the capacity of the transcontinental route.

A domestic air passenger fare increase was proposed by the two national carriers and five regional carriers of approximately 5% effective January 1, 1979. Prior to the implementation of the increase, the Canadian Transport Commission postponed the effective date until April 1, 1979, basing their decision mainly on the fact that the cost of aviation fuel would not increase until then. The actual effective date of the increase, as approved by the C.T.C., was April 7, 1979.

As the Annual Report of Air Canada had not been released at the time of writing this report, accurate statistics are not available. However, reports from the airline's President indicate that the profit for 1978 will be in the area of \$47 million. Eastern Provincial Airways reported its first profit in three years. A brief table of statistical highlights is shown below.

During the year Atlantair Limited commenced operation of a twice daily passenger service between Moncton, Bathurst and Fredericton. The service operates on a five day week schedule, Monday to Friday.

	<u>AIR CANADA</u>		Percent Change	<u>EASTERN PROVINCIAL AIRWAYS</u>		Percent Change
	<u>1978</u>	<u>1977</u>		<u>1978</u>	<u>1977</u>	
Revenue Passengers Carried	*	10,900,000	*	779,728	668,888	+16.6
Revenue Passenger Miles (X'000)	*	11,296,691	*	293,190	257,092	+14.0
Freight Ton Miles (X'000)	*	247,000	*	3,504	2,777	+26.2
Passenger Load Factor	*	63%	—	55.9%	52.7%	—
Net Income (loss) After Taxes	*	\$20,006,000	—	\$3,244,777	(\$942,085)	—

* Not Available At Time Of Printing

Source: Air Canada and Eastern Provincial Airways

Ports

Total cargo tonnage showed a slight increase overall at National Harbours Board's ports in the Atlantic Provinces for 1978. General cargo and container cargo decreased at all ports with the exception of St. John's, Nfld., where container traffic increased by approximately 90% over 1977. This is the result of the regular, year round, container service being provided by Newfoundland Container Lines Limited between Halifax and St. John's.

Waterborne Cargo Tonnage, Loaded or Unloaded at N.H.B.

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
1978	12,561,651*	14,063,809	995,924	362,954	27,984,338
1977	12,420,074*	14,027,253	924,398	232,038	27,603,763
Increase or (Decrease)	141,577	36,556	71,526	130,916	380,575
% Change	+1.1	+ 0.2	+7.7	+56.4	+1.4

General Cargo

1978	1,214,828	578,690	235,835	—	2,029,353
1977	1,325,168	643,478	252,399	—	2,221,045
Increase or (Decrease)	(110,340)	(64,788)	(16,564)	—	(191,692)
% Change	—9.1	—11.2	—7.0	—	—18.9

Container Cargo

1978	920,796	1,762,359	81,727	—	2,764,882
1977	995,356	1,779,196	43,113	—	2,817,665
Increase or (Decrease)	(74,560)	(16,837)	38,614	—	(52,783)
% Change	—8.1	—1.0	+89.6	—	+1.9

* Includes Cargo At Canaport

Source: National Harbours Board

In June, 1978, the Black Sea - Canada Line suspended its service from Saint John to ports in the Mediterranean area in which the operators had four container vessels in service. Lack of sufficient cargo and internal reorganization of the line were cited as factors in the line ceasing operation.

In July the Federal Treasury Board approved the contract for the major construction work at the \$29 million second Halifax container terminal at Fairview Cove. As of year end, a decision had not been made as to who will operate the new container facility scheduled to open in 1980.

A consulting firm has been hired to develop an overall master plan for the Port of Saint John up to the year 1990. The study, expected to be completed within a year, is being jointly funded by the Federal Government (DREE), the National Harbours Board and the Province of New Brunswick.

In August, 1978, a Canada - Dutch consortium became the new owners of the Halifax shipyards. The consortium is made up of CN Marine, Hall Shipping Company and RSV of the Netherlands.

In the fall of 1978 a new marine trailer service between Halifax, N. S., and St. John's, Nfld., was introduced by Federal Commerce & Navigation Ltd. The roll-on/roll-off vessel *Federal Humber* joined the *Federal Avalon*, which has been in service since 1974 carrying automobiles. The additional vessel enables Federal Commerce & Navigation Ltd. to transport highway trailers and automobiles on a regular basis.

A study was conducted by a consulting firm, at the request of Transport Canada, into the feasibility of extending the navigation season of the St. Lawrence Seaway. The results indicated that the cost of such a project would far outweigh any benefits achieved. Various organizations, including the Atlantic Provinces Transportation Commission, provided information to the firm conducting the study.

Ferries

Overall, there were increases in traffic on ferry operations in Atlantic Canada during the period in review. The North Sydney-Argentia service showed a significant increase, as well as the Yarmouth-Portland service operated by CN Marine. This latter service operated for the entire 1978 year as compared to a 4½ month operation in 1977.

Statistics for the 1978 year appear below, with 1977 figures in brackets.

Service	Passengers	Automobiles	Trucks And Tractor Trailers
Cape Tormentine- Borden	1,517,957 + (1,476,394)	2.8 % (437,885)	447,107 + (158,964 + 16.8 %) (136,073)
Wood Island- Caribou (1)	527,768 + (497,507)	6.1 % (151,797 + 9.7 %) (138,436)	55,710 + (55,286)
North Sydney- Port aux Basques	290,776 + (285,340)	1.9 % (64,996 + 2.8 %) (63,218)	43,022 + (38,706)
North Sydney- Argentia (2)	41,358 + (28,350)	45.9 % (10,285 + 42.0 %) (7,244)	134 + (73)
Yarmouth- Bar Harbour (3)	94,174 + (90,158)	4.5 % (25,119 + 2.5 %) (24,499)	309—160.2 % (804)
Yarmouth- Portland (4)	128,595— (129,951)	1.1 % (23,479— 0.1 %) (23,514)	219—714.6 % (1,784)
		6,595 + 149.0 % (2,649)	2,391 + 308.0 % (586)
Saint John- Digby	211,908 + (201,008)	5.4 % (52,382 + 7.3 %) (48,803)	26,206 + (25,558)

- (1) 1978 operated April 21 to December 10
1977 operated April 28 to December 10
- (2) 1978 operated June 19 to September 14
1977 operated June 17 to September 10
- (3) 1978 operated May 19 to October 14
1977 operated May 2 to December 10
- (4) 1978 operated May 3 to October 29 by Prince of Fundy Cruises
1977 operated May 4 to October 30 by Prince of Fundy Cruises
- (5) 1978 operated January 1 to December 31
1977 operated January 1 to April 25 and December 15 to December 31 by CN Marine

Source: CN Marine

Prince of Fundy Cruises

Northumberland Ferries Ltd.

On July 8, 1978, the CN Marine passenger car ferry *Sir Robert Bond* was placed into service between Lewisporte and Goose Bay. The vessel was converted from a rail car ferry and replaces the vessel *William Carson*, which sank off the coast of Labrador in June, 1977.

On June 19, 1978, the *M.V. Lady Menane* was inaugurated as part of an improved Grand Manan Island ferry service.

During the year in review, a federal transport department study recommended that P.E.I.'s transportation needs can best be met by the two existing ferry links and thus ruled out the immediate possibility of a causeway or hovercraft service to the mainland. It called for a \$135 million up-grading program of the ferry services, the bulk of it (\$128 million) to be used for vessel replacement. The main new vessel would be a large ice breaking ferry to replace CN Marine's aging *Abegweit*.

During the past year renewed interest was shown in a possible ferry link between Souris, P. E. I., and Cape Breton, N. S.

GENERAL LEVEL OF RATES

Rail Rates — Domestic

During the period under review, domestic rail rates were subject to two general rate increases. Consistent with the pattern set in previous years, the increases were applied to commodity groups in open tariffs. The first round of increases ranged from 7% to 10% and occurred between May 1, 1978, and September 1, 1978. The second round of domestic rail rate increases commenced January 1, 1979, and will be spread over an approximate six month period, with increase ranging from 7% to 9%. Certain specific rates received lower increases as a result of negotiations between the shippers and the railways.

Railway agreed charge rates were increased effective September 1, 1978. Each agreed charge was re-negotiated on an individual

basis with the shippers involved. Increases ranged from 7% to 10% with an average increase, in most cases, of 8%.

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

Between the Atlantic Provinces and Ontario

Date	Application	Westbound	Increase	
			Eastbound	Eastbound
May 2/78	New Brunswick	5%		5%
	N.S./P.E.I.	7 1/2 %		7 1/2 %
Sept. 12/78	Newfoundland	—		15-28%
Jan. 16/79	N.B./N.S./P.E.I.	8%		8%

Between the Atlantic Provinces and Quebec

Date	Application	Westbound	Increase	
			Eastbound	Eastbound
Mar. 28/78	All Rates	3%		3%
Jan. 1/79	All Rates	7%		7%

The above increases were identical to those imposed by highway carriers on truckload traffic on earlier dates.

On April 1, 1978, rail piggyback rates between Western Canada and Eastern Canada (including rates to and from the Atlantic Provinces) were increased by 6%. These rates were again increased by 8% on February 15, 1979.

Rail Rates — International

During the year under review, international rail rates applying between Canada and the United States were subject to two general rate increases. On June 17, 1978, a general rate increase of 4% became effective and again on December 15, 1978, a general increase of 9% on class rates and 7% on commodity rates was implemented.

On two occasions during the review period selective rate increases were applied on certain commodity rates that were considered by the U.S. railroads to be non-compensatory. On October 20, 1978, a number of commodity rates were increased by amounts ranging from 3% to 20%. Included in the commodities being increased were canned or preserved fruits and vegetables from the Southern U.S. to Eastern Canada (20%); as well as certain commodities moving between the Eastern U.S. and Canada such as construction aggregates (5%), coke (8%), fresh vegetables (9%) and pulpwood logs and chips (10%). On February 23, 1979, a 1% increase on selective commodities was implemented, including forest products, grain, fruits and vegetables.

Express

Rail express rates from, to and within the Atlantic Provinces increased during the year in review as follows:

- July 5, 1978 —
Rail express rates from and to the Atlantic Provinces were increased by 8% for shipments weighing less than 100 lbs.
- November 13, 1978 —
Point to point rates from Quebec to the Maritimes were increased by amounts ranging from 5% to 10%.
- January 8, 1979 —
The point to point rates from Ontario to the Maritimes were increased by 8% to 10%.
- March 19, 1979 —
Point to point rates from the Atlantic Provinces to Quebec were increased by 15%. General scale rates up to 100 lbs. and all point to point rates within the Atlantic Provinces were increased by amounts ranging up to 6%.

In all cases, during the period under review, express rate increases were limited so as not to exceed comparable truck rates.

On August 1, 1978, CN Express cancelled the per piece charge provision in express tariff ETA 100. This per piece charge was assessed only by CN Express and applied only to the extent that it produced a total charge higher than the charge based on the actual or dimensional weight.

On October 23, 1978, the time limit for filing a claim for non-delivery or complete loss or destruction of a railway express shipment in Canada was increased from three months to nine months from the date the shipment was delivered by the shipper to the carrier. This time period had been previously reduced to three months from twelve months on September 12, 1977, and was strenuously opposed by shipper groups in Canada.

On November 20, 1978, the basic free liability limit was increased for those rail carriers participating in Express Transport Association Tariff 100. The change provided a carrier liability limit of two dollars per pound per piece, while at the same time retaining the previous limit of the greater of fifty dollars per shipment or fifty cents per pound on the weight of the shipment.

Truck Rates

Within the Atlantic Provinces truck rate increases occurred with the implementation of the new intra-regional subsidy program effective September 1, 1978. These changes are covered in detail under another section of this review. While the new program resulted in little or no change in rates for eligible commodities moving within the Maritimes, rates between the Maritime Provinces and Newfoundland were increased by 5% at that time.

Truck rates within the Maritimes, as published by the Atlantic Provinces Motor Carrier Tariff Bureau in tariff 5000B on behalf of member carriers, were increased on January 1, 1979, by 6% on Freight All Kinds rates and by 9% on commodity rates.

Rates and charges for the movement of export/import ocean containers within the Maritimes, as published by the Atlantic Provinces Motor Carrier Tariff Bureau, were increased by 17% effective December 1, 1978. This increase did not affect the majority of containers moving since most are handled by non-tariff bureau carriers.

During the period in review, truck rates between the Maritime Provinces and Ontario, as published by the Atlantic Provinces Motor Carrier Tariff Bureau, were increased on two occasions. Commodity and incentive rates between Ontario and New Brunswick were increased by 5%, while rates between Ontario and Nova Scotia and Prince Edward Island were increased by 7½ %. Freight All Kinds and Class rates were increased by amounts up to 10%. These increases became effective on eastbound traffic on April 1, 1978, and on westbound traffic on May 1, 1978. Another increase of 4% to 8% on Freight All Kinds rates and 8% on commodity rates occurred on January 1, 1979.

Maritime-Ontario Freight Lines, a carrier that is not a member of the tariff bureau, increased their rates on traffic between the Maritimes and Ontario by 6% on June 1, 1978, for eastbound traffic and by 10% on November 10, 1978, on westbound traffic.

Eastbound truck rates applying from Ontario to Newfoundland, as published by the Atlantic Provinces Motor Carrier Tariff Bureau in Tariff 8000, were increased by 15% on July 28, 1978. Coinciding with this increase was the cancellation of all eastbound commodity rates from Ontario to Newfoundland. This cancellation, along with the increase, resulted in a combined increase on some commodities in excess of 50%.

On November 13, 1978, truck rates between the Atlantic Provinces and Quebec were increased by 7%. This increase applied to commodity rates only, both eastbound and westbound. The carriers had sought increases in Freight All Kinds and Class rates of up to 25% but this was disallowed by the Quebec Transport Commission.

In March, 1979, the Quebec Tariff Bureau, on behalf of the member carriers operating between the Atlantic Provinces and Quebec, advised that they would be filing an 11% increase on all rates to become effective in May, 1979, subject to the approval of the Quebec Transport Commission.

Through truck rates between the Maritime Provinces and the Eastern United States were increased on April 3, 1978, as follows:

	New England	Middle Atlantic
LTL	9%	7½ %
TL	5½ %	6½ %

A further 2% increase on Middle Atlantic traffic was filed to become effective July 24, 1978, but was postponed by the U.S. Interstate Commerce Commission until February 23, 1979. It was further postponed by the carriers (on a voluntary basis) until May 28, 1979.

Pool Car and Domestic Water Rates

Pool car rates on traffic from Ontario to the Maritimes were increased by 3% to 9% on June 12, 1978. At the same time, rates from Quebec to the Maritimes were increased by 8.5% and rates from Ontario/Quebec to Newfoundland were increased by an average of 10%.

On March 26, 1979, a general pool car rate increase of 7% to 9½ % was applied on traffic from Ontario/Quebec to Newfoundland. At the same time, rates from Quebec to the Maritimes were increased by the same amount and rates from Ontario to the Maritimes were increased by 6% to 12%. Also at that time, the tariffs were amended to provide for a minimum weight calculated on 15 lbs. per cubic foot for traffic moving under incentive or commodity rates.

Class rates published by Newfoundland Steamships Limited were increased by 5% to 15% on traffic from Montreal, Que., to Corner Brook and St. John's, Nfld., effective June 1, 1978.

Chimo Container Service published a general rate increase on eastbound traffic from Ontario and Quebec points to Newfoundland of 6% to 10% (average 8%) effective January 8, 1979.

ATLANTIC REGION FREIGHT ASSISTANCE PROGRAMS

Payments under the Maritime Freight Rates Act and the Atlantic Region Freight Assistance Act for the year 1978 were approximately \$52.4 million, representing an increase of about 14% 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

Calendar Year	(\$'000)		
	Rail	Truck	Total
Intra-Regional			
1978	8,509	24,693	33,202
1977	9,535	21,458	30,993
Westbound-Basic			
1978	8,108	6,428	14,536
1977	6,452	5,156	11,608
Westbound-Selective			
1978	2,583	2,114	4,697
1977	1,908	1,555	3,463
Total Payments — Intra-Regional & Westbound			
1978	19,200	33,235	52,435
1977	17,895	28,169	46,064
	(1,305	5,066	6,371
Increase	(7.3%	18.0%	13.8%

Source: Canadian Transport Commission

Selective Westbound Assistance

As has been the practice since the establishment of the Selective Westbound Assistance program in 1974, the A.P.T.C., working in close co-operation with the provincial departments responsible for transportation, continue to assist firms in submitting applications for the inclusion of new products under the list of goods entitled to the assistance. Among other considerations, the Selective Westbound Assistance applies to basic agricultural and fishery products, as well as to products which have achieved the maximum potential for adding value within the Atlantic region.

During the past year the following commodities were added to the list of eligible commodities: machines, ice resurfacing; plywood; potato harvestors and associated equipment; street flushers; sunglasses; and wheels, steel.

Intra-Regional Assistance

A new selective subsidy program was implemented effective September 1st, 1978, for shipments originating and terminating in the Atlantic region, replacing the former blanket application of the subsidy. While many of the details were included in the Annual Report for last year, it is appropriate to include particulars of the following key elements of the new program:

- (1) The amount of selective subsidy remains at 15% in relation to the published rates of the carriers.
- (2) The subsidy continues to be paid directly to the carrier (it had been proposed to pay it to the shippers).
- (3) The selective subsidy is paid only in relation to the movement of an approved list of goods that are manufactured or produced in the Atlantic region (commodity selection was based on a set of criteria designed to achieve the maximum economic impact from available funds).
- (4) Subject to certain limitations, the program now applies to both the marine and air modes, in addition to truck and rail traffic as was formerly the case (at the conclusion of the year under review no air carriers had applied for a certificate of eligibility to participate, while a limited number of water carriers had become eligible, including Newfoundland Container Lines Limited).
- (5) Commodities not eligible under the selective assistance program receive a subsidy of 7½ % under the so-called provisional assistance provision for a one-year period, terminating on August 31, 1979.
- (6) To be eligible for the assistance, carriers are required to reflect the subsidy as a reduction in their tariff of rates and, unless otherwise approved by the shipper, to include particulars of the gross freight charges, amount of subsidy and net freight charges on revenue freight bills submitted to shippers.

To facilitate the implementation of the new selective assistance program with the least disruption to shippers and carriers, the A.P.T.C. organized a series of information meetings which were held at key centres throughout the Atlantic Provinces. These meetings were co-sponsored by the Atlantic Provinces Trucking Association and received the co-operation and participation of the Canadian Transport Commission and the provincial departments responsible for transportation. To ensure the widest possible distribution of information on the new program, numerous articles appeared in the Commission's newsletter, "Tips & Topics", including a copy of the new regulations which was circulated to the complete mailing list. In addition, throughout the past year the staff of the A.P.T.C. were called upon to respond to a large volume of inquiries from both shippers and carriers as to the proper application of the new program.

Over and above some isolated freight rate increases, which became effective on September 1, 1978, to meet general revenue requirements, member carriers of the Atlantic Provinces Motor Carrier Tariff Bureau and most non-tariff bureau carriers increased their rates within the Atlantic Region by 17.65% to offset the loss of the former blanket subsidy of 15% and to provide for additional administrative expenses under the new program.

In the case of Newfoundland, truck rate increases are subject to the approval of the Newfoundland Board of Commissioners of Public Utilities who disallowed the application of the Atlantic Provinces Motor Carrier Tariff Bureau for an increase of 17.65%. The outcome of this application also established the pattern to be followed by non-tariff bureau carriers. In its Judgment and Order dated August 25, 1978, the Newfoundland Board stated — "The Board finds that because of the cancelling of the Atlantic Region Special Transportation Assistance Regulations as of September 1, 1978, the Applicants are entitled to increase their rates for traffic picked up and laid down within the select area by 15% which is the revenue loss attributable to the termination of the subsidy. The Board will not allow the 2.65% additional increase requested. If there are additional costs in administrating the new subsidy program, they should be included in an application for a rate change because of operating cost increases."

Dating back to the decision to establish a selective assistance program, the A.P.T.C. has submitted a number of important recommendations as to the method and specific application of the subsidy. While many of these recommendations have been adopted and incorporated into the governing regulations, a major area of concern remains outstanding. Despite repeated requests of the A.P.T.C., and others, the Federal Government has not yet established a procedure for reviewing the selection of eligible commodities to provide an opportunity for regional manufacturers and producers to submit their commodities for reconsideration where they consider that a valid case for eligibility exists under the governing criteria. The federal officials responsible take the position that any review of the ineligibility of specific commodities, if required, would be undertaken after experience has been gained without the subsidy and further emphasize that any such review must be based on actual experience without the subsidy. The A.P.T.C. points out that this position assumes that the original selection of eligible commodities was complete and correct **in all respects**. This is unlikely to be the case when it is realized that the economic factors may not have been sufficiently current or in adequate detail to enable a proper evaluation of all individual commodities. Moreover, the regional industries involved were not given an opportunity to provide economic data or other input when

the original commodity selection was made and certainly have good cause to question the absence of a suitable commodity review procedure.

PILOTAGE MATTERS

On May 6, 1978, the Atlantic Pilotage Authority published in the Canada Gazette, pursuant to the provisions of Section 23 of the Pilotage Act, a tariff of pilotage charges which it proposed to prescribe in respect of the waters under the jurisdiction of the Authority. The proposed tariff contained two levels of charges; the first reflected a 25% increase over all and the second level would yield a further increase of 20% to be effective on January 1, 1980.

The Atlantic Provinces Transportation Commission filed a notice of intervention with the Canadian Transport Commission in order to ensure that the increases being proposed by the Atlantic Pilotage Authority were fully justified before the Canadian Transport Commission and that the Authority was taking every step possible to ensure that its operations were conducted in an economic and efficient manner. Notices of objection were filed by six organizations or companies and a second body filed a notice of intervention.

The Canadian Transport Commission commissioned Mr. J. R. F. Hodgson, Director of the Merchant Shipping Branch of the Water Transport Committee, to make an inquiry and report to the Committee on: (a) the current financial status of the Authority; (b) the forecast of revenue and expenses of the Authority; and (c) any other related matters. This inquiry was conducted in early September. Following this, on September 20, 21 and 22, 1978, the Water Transport Committee of the Canadian Transport Commission held a public hearing into the proposed tariff of the Authority and the notices of objection and intervention of parties of record.

In its submission to the Water Transport Committee the Atlantic Provinces Transportation Commission submitted that, among other things, the proposed second level of rate increase should not be allowed at this time. The A.P.T.C. said that the Authority should seek and justify the increase required for 1979 and if at the end of that period another increase is necessary, then it should be applied for at such time. In fact, the Commission pointed out that evidence given at the inquiry conducted by Mr. Hodgson indicated that the Authority could be more than profitable in the year 1980. Secondly, the Commission urged that the wording of the proposed tariff be changed so as to ensure that when a boat, other than a boat owned or regularly contracted for by the Authority, is used to place the pilot on board the vessel to be piloted that the cost of renting such substitute "pilot boat" is not assessed to the person pay-

ing the pilotage charge. This submission was made because the proposed tariff of the Authority included a charge for a pilot boat in the pilotage charge itself. Third, the Commission urged that certain classes of vessels which are exempt from pilotage charges, either by government directive or by "managerial decision" of the Atlantic Pilotage Authority Board, such as government vessels exceeding 1500 gross registered tons, should contribute something to the maintenance of safety at the ports used by them. The A.P.T.C. recommended that such vessels either be subject to a pilotage charge or the federal government make a grant to the Authority in lieu of specific pilotage charges. Fourth, the Commission urged that the Authority's headquarter administration expenses, which are pro-rated against the vessels using the Authority's service on a per unit formula, should also be recovered at entrepreneurial ports where at present the entire pilotage fees are turned over to the entrepreneur pilots. Consequently, these ports cannot be self-supporting and will always incur the deficit of the headquarter administration charges under the present method of operations. Fifth, the Commission urged that the Authority could achieve further economies by removing certain ports from the compulsory pilotage port list and by contracting out the operations of pilot boats at ports where these boats are presently operated by the Authority. Evidence of the Authority indicated that certain requirements, either real or implied, of the Federal Department of Labour or other Federal Departments may make such courses of action impractical insofar as any cost savings are concerned. The A.P.T.C. submitted that if federal policy did in fact impose requirements on the Authority which prevented the Authority from achieving economies which it could achieve if it were not an agency of the Federal Government, then the cost of those imposed "public policies" should be covered by annual appropriations to the Authority and not be borne by the user of pilotage services.

Overall, the Commission urged the Water Transport Committee to recommend in its decision that the entire operations of the Atlantic Pilotage Authority be subject to investigation and review by the government to ensure that the operations of the Authority are conducted in an economic and efficient manner, especially in light of the magnitude of increases that the Authority was seeking at that time and has sought since its formation in 1972.

The Water Transport Committee gave its decision on the matter on November 30, 1978. Among other things, it recommended that the proposed second level of increase, which the Atlantic Pilotage Authority wished to implement as of January 1, 1980, be disallowed. It further recommended that the charges for a "substitute" pilot boat, which provided the opportunity for the risk of a double charge being made for such service, be omitted from the proposed tariff. Dealing with the matter of costs that are incurred by the Authority as a result of imposed

"public policies" or which were often referred to as "unreal costs", the Water Transport Committee indicated that in view of the fact that past annual government appropriations to the Authority have been greater than the largest possible estimate of such unreal costs, the users of pilotage services have not yet had to bear any "unreal costs".

The recommendations of the Water Transport Committee concerning the levels of charges to be assessed vary port to port. Generally, the Committee recommended increases over and above those proposed by the Authority in the minimum pilotage charges and the cost of movements. The Committee accepted the proposed change in the method of assessment of pilotage charges, namely, that from a unit charge with a basic minimum to a basic charge with a minimum plus a unit charge. The Committee generally recommended a lower basic charge than that proposed by the Authority and set the unit charges at a level which would, in the Committee's view, result in no ship paying less for pilotage services than under the tariff then in force and no ship paying more for pilotage services than an additional 50% of the amount presently payable. This criteria did not necessarily apply to certain ports which were characterized by a large number of assignments of small ships. In those ports the minimum charges were raised to increase the contribution of such ships to the cost of provision of pilotage services.

The matter of pilotage services and charges received the attention of the A.P.T.C. Board of Directors following this decision. In view of the regularity and magnitude of the increases that the Authority have sought, the Board of Directors went on record as opposing the increases that were effected with the last decision of the Water Transport Committee on those ports which were characterized by small vessels because the Authority has made no real effort to minimize the cost of performing pilotage services for such vessels. Secondly, the Commission believes that substantial change is necessary in the pilotage legislation in order to permit the provision of an economic and efficient pilotage service. Thirdly, the Commission served notice to the Minister of Transport that any further increases being sought by the Authority would be opposed by the Commission most strenuously unless there was real evidence that the Authority was, in fact, taking every step possible to provide economical pilotage services.

SHIPPING CONFERENCES EXEMPTION ACT

In 1970 the Federal Government enacted a Shipping Conferences Exemption Act which stemmed from an investigation by the Restrictive Trade Practices Commission of the steamship conferences to determine whether they were a combine within the meaning of the Combines Investigation Act. The Shipping Conferences Exemption Act gave a condi-

tional exemption to the conferences from the provisions of the Combines Investigation Act. That legislation contained an expiry date and would expire on March 31, 1979.

The Water Transport Committee of the Canadian Transport Commission undertook an inquiry into the practices of the shipping conferences and whether the continued conditional exemption from the provisions of the Combines Investigation Act should be maintained. In its report of January, 1978, the Water Transport Committee said, "there is an ongoing need for conditional exemption legislation."

On November 8, 1978, Bill S-6 was introduced in the Senate to replace the Shipping Conferences Exemption Act due to expire on March 31, 1979. Bill S-6 followed closely the provisions of the previous legislation and a paper titled "Legislation Governing Liner Conferences Serving Canada" was released by the Minister of Transport at the same time.

Highlights of changes in Bill S-6 as contrasted to the previous legislation include:

- 1) The new Bill requires the conferences to meet with shippers or such shipper groups as may be designated by the Minister of Transport and to provide such groups sufficient information for the satisfactory conduct of such meetings;
- 2) Specific reference is made to Section 23 of the National Transportation Act under which the Canadian Transport Commission could investigate the conferences. The legislation also indicated that the Canadian Transport Commission is the responsible body for administering the legislation;
- 3) The availability of tariffs and other documents filed with the Commission for public inspection or purchase has been clarified.

The Bill was sent to the Senate Committee on Transportation and Communications. That Committee invited the Atlantic Provinces Transportation Commission to appear and the invitation was accepted with a submission being made on December 14, 1978. That submission indicated general approval of the continued conditional exemption of the conferences from the Combines Investigation Act. The A.P.T.C. submission urged, however, that the legislation be made abundantly clear that the Canadian Transport Commission in administering the Act shall consider all relevant portions of Section 23 of the National Transportation Act in addition to those provisions set out in Section 4 of the new Bill.

Furthermore, the Commission took this opportunity to bring to the attention of the government the practice of the ocean shipping confer-

ences in maintaining rates to and from the Atlantic ports of Halifax and Saint John at the same level as the ocean rates to and from inland ports on the St. Lawrence River, Montreal and east thereof. Despite the geographic advantage of the Atlantic ports, the rates of the ocean shipping conferences give no recognition to this fact. The Senate Committee was urged to express its condemnation of this practice in its report on the proposed Bill.

The Bill received third reading in the Senate on February 13th. It was given first reading in the House of Commons on February 14th and third reading on March 9, 1979, and subsequently received passage before the dissolution of Parliament.

MARITIME CODE ACT

During the year under review in this report, little has developed in respect of the Federal Government's legislative program which in previous years had been directed toward restricting the movement of goods between ports in Canada (other than the inter-coastal trade) to vessels of Canadian registry.

Representations continued to be made by the Atlantic Transport Users Association, as well as by the Canadian Industrial Traffic League, to the Minister of Transport to the effect that the proposed coasting trade legislation was inadequate. The C.I.T.L. and the Users Association both urged the Minister to conduct a cost-benefit study of closing the coastal trade to Commonwealth ships. In response to this suggestion, the Minister of Transportation indicated that the matter was receiving further consideration by his department.

In an address to the Second National Marine Conference held in Ottawa in October, 1978, the Minister of Transport said that his officials were assessing the comments received from many segments of the shipping industry on the position paper that had been released by him in August of 1977. He indicated that it was quite likely that the government's future approach "to coasting trade legislation will not be a single national regime as was proposed in Bill C-61, which was once on the order paper, and the 1977 position paper, but rather a regional approach.

"This would allow more individual treatment of areas such as the Great Lakes and make it possible to preserve the same restrictions for that area that are now contained in part 15 of the Canada Shipping Act," he said.

This statement by the Minister has provided encouragement to the Atlantic region that the particular problems that could be created by a policy as was proposed in Bill C-61 and the 1977 position paper are

being recognized and that the government's future approach might well be one which would go a considerable way toward meeting the needs of the Atlantic Provinces.

In a related matter, the Minister of Transport announced on October 27, 1978, that following notification that Great Britain was withdrawing from the British Commonwealth Merchant Shipping Agreement, the Government of Canada announced that it was also withdrawing from the Agreement.

In making the announcement, the Federal Government indicated that the 1931 Agreement, which was aimed at maintaining a measure of uniformity of practice in merchant shipping matters throughout the Commonwealth, had become less important as a result of the growing diversity of national ship registry and regulatory practices. The Honourable Mr. Lang said that although the Agreement itself was no longer relevant, it had provided a useful framework for maintaining co-operation between Commonwealth members and that a more informal mechanism will now be established to maintain this spirit of co-operation.

Despite the announced termination of the Commonwealth Merchant Shipping Agreement, the continued use of Commonwealth ships is permitted in Canadian waters, other than the so-called St. Lawrence/Great Lakes area, until the Canada Shipping Act is amended in such a way as to prohibit the use of Commonwealth ships.

During the year under review, the Maritime Code Bill received third and final reading in both the House of Commons and the Senate. It will be recalled that this Bill, which originated in the First Session of the Thirtieth Parliament as Bill C-61 and was considered in the Second Session of the Thirtieth Parliament as Bill C-41, received passage in the House of Commons on June 29, 1978, and in the Senate on June 30, 1978.

In January, 1979, the Transport Minister Otto Lang released a policy paper titled "A Shipping Policy for Canada", which reviewed the past experience of Canada in deep sea shipping, trends and developments in world shipping and a number of options that Canada could adopt for any deep sea shipping policy.

The study concluded that Canada's needs can best be met by continuing to rely on the international shipping market to supply most of its deep sea shipping requirements. In making this statement the Minister indicated that the government intended to take a more direct and active interest in deep sea shipping matters than it has in the past and to adopt a series of supporting measures. These would include encouragement of competitive conditions in international shipping and

resistance to proposals that would deny Canada access to commercial shipping services from any country or group of countries. Furthermore, it was indicated that the government would introduce legislation to enable it to act where national shipping interests are threatened by the action of a foreign government or carrier, to permit the designation of "Canadian shipping lines" and to provide for shipping agreements with other countries to ensure that Canadian companies are able to participate in trades from which they might otherwise be excluded.

In its policy paper the government indicated that new financial or tax incentives are not warranted to encourage the development of a Canadian registered fleet at this time. It said that it intended to assess the possibilities for Canadian flag participation in shipments from Canada of aid in certain commercial cargoes. It also stated that the government would require, as a condition of the export of unprocessed or partially processed resources from the Arctic, that Canadian flag vessels be used to the extent they are available at reasonable cost. Finally, the government indicated that it was prepared to consider on merit requests for assistance related to the use of Canadian built and registered vessels in connection with Arctic developments.

NEWFOUNDLAND TRANSPORTATION INQUIRY

The report of the Sullivan Commission of Inquiry into Newfoundland Transportation was released to the public on July 24, 1978. This Commission of Inquiry had been established on March 28, 1977, by a joint announcement of the Federal Minister of Transport and the Newfoundland Minister of Inter-Governmental Affairs. Headed by Dr. Arthur M. Sullivan, the Commission was generally to examine and report on issues related to the provision of domestic transportation services for Newfoundland and future transportation needs of the province to be met in an efficient and cost effective manner taking into consideration national, provincial, social and economic objectives.

In its first volume the Commission of Inquiry made 128 recommendations, covering a wide scope of transportation matters. The major recommendation of the Sullivan Commission was "an immediate but tentative decision to abandon the complete railway system after ten years with planning for the future geared to that decision; and, secondly, provision for the review and confirmation or rejection of that tentative decision after further time has elapsed and further information has been gathered." The time period for review and confirmation or rejection of the tentative decision was suggested to be five years. The Commission recommended that during those five years rail service continue at a level at least equal to the present service and that the railway experiment with novel and more effective methods of attracting and handling traffic.

On August 22, 1978, the Premier of Newfoundland stated that the province's railway system should not be abandoned under any circumstances. In making this statement, the Premier rejected the Sullivan Commission's idea of trading the line for improvements in other modes of transportation. He called upon Ottawa to assume a greater share of the cost of improving the Trans Canada Highway, as well as other transportation facilities.

On September 12, 1978, the Honourable Don Jamieson, External Affairs Minister and MP for Burin-Burgeo, said that the Newfoundland Government's rejection of the Sullivan Commission's recommendation to abandon the railway "puts this particular issue to rest." While this statement indicated that the railway will continue to operate in Newfoundland, the Minister said that this does not put an end to the problem, in that, from the Sullivan Commission's investigation, it appeared that freight traffic would continue to decline and the railway system in Newfoundland would continue to be unprofitable regardless of any reasonable steps that could be taken to reverse the obvious trend of recent years.

On February 16, 1979, Volume II of the Sullivan report was released to the public. In the words of the report it presented no new concepts or principles but rather contained information representing a continuation of the activities instituted by the Commission's research staff in the preparation of Volume I, together with certain conclusions based on that information. In Volume II the Commission of Inquiry reiterates its conviction that the basic principles laid down in Volume I are valid and eventually will provide the basis of at least the guidelines for an adequate transportation system for Newfoundland in the long range future. The second volume recognized that even though some of the recommendations in Volume I will not be implemented in the immediate or near future because of the public response, as well as the Federal and Provincial Governments' position on these recommendations, that further consideration of Volume I, combined with change in circumstances, will cause eventual acceptance of the main principles by the appropriate levels of government. In short, the Commission adheres to the basic principles and philosophies presented in Volume I in the second volume released on February 16th.

In releasing the report, the Minister of Transport, the Honourable Otto Lang, indicated that the Federal Government believes the Newfoundland railway should continue and it is willing to be a party to a concerted effort to prove its viability. The Minister of Transport said that he was asking CN President, Robert Bandeen, to look into establishing greater autonomy in Newfoundland in decision making affecting the railway and to consider a separate accounting structure for the railway

with a view to improved marketing to attract customers. In addition, the railway will be asked to re-establish 1977 levels of rail service in the province and to delay a number of layoffs that were pending at the completion of the work of the Sullivan Commission until a joint labour-management consultant committee had been established to minimize the social impact of the manpower adjustment process. Mr. Lang said that a decision would likely be made before the end of the year as to how much, if any, of the annual deficit of the Newfoundland railway that Ottawa is prepared to offset during the period of experimentation in renewed viability of the system. Finally, in respect of transportation in Newfoundland, the Minister indicated that he anticipated the CN Road-cruiser Bus Service being taken over by VIA Rail.

The second volume of the report contains one chapter of specific interest to shippers and receivers. That chapter reiterates a recommendation found in Volume I that a Newfoundland Transportation Commission be created with a mandate encompassing the total transportation system affecting this province. Among the activities which would be conducted by the proposed Commission would be: (a) the making of recommendations after appropriate studies to government departments and agencies on standards of intra and inter-provincial transportation services; (b) to monitor transportation regulations and actual service levels; (c) to hold public hearings on proposed major changes in transportation services; (d) to provide the co-ordination of transportation services, particularly within the province; (e) to evaluate the effectiveness of existing subsidies; and (f) to establish and maintain current data files on all aspects of transportation relating to the province.

Volume II of the Commission of Inquiry report contains an additional eighteen recommendations beyond those found in Volume I. Thus, the total recommendations of the Commission number 156.

WITHHOLDING TAX ON CHARTER HIRE

During the year covered by this report, it came to the Commission's attention that the Department of National Revenue (Revenue Canada) was proceeding with its original plan to implement a withholding tax on charter hire paid to non-resident owners of ships and aircrafts and that, furthermore, this proposal had now been expanded to include tax on other contracts of affreightment.

In 1977 the A.P.T.C. made representations to Revenue Canada that such a tax would only result in higher costs for both Canadian exporters and importers, administrative burdens in terms of paper work and cost, and an added deterrent to foreign ship and aircraft owners and operators to enter into operations with Canadian exporters and importers. After further consideration of the matter, the Commission

wrote to the Honourable Jean Chretien, Minister of Finance. The Commission indicated that if the present legislation required the implementation of such a tax, that he take steps to amend such legislation so as to permit the continuation of Canada's longstanding policy of not subjecting transportation payments to tax. This letter of October, 1978, was followed up by another letter in February, 1979.

On March 20, 1979, the Minister of Finance replied to the A.P.T.C. representations. In that reply the Minister indicated that the matter has been receiving considerable attention, both in his department and in the Department of National Revenue. Furthermore, he indicated that serious efforts have been made to accommodate the valid concerns of shippers and the shipping industry and that these efforts are hopefully proving to have worthwhile results. Information available to the Commission at year end indicates that the proposed withholding tax may not be implemented for some time yet.

POTATO TRANSPORTATION MATTERS

During the past year, as in the previous year, problems with the transportation and distribution of potatoes from New Brunswick and Prince Edward Island continued to receive attention. In May, 1977, the Minister of Transport appointed a Working Group under the Chairmanship of Nick Mulder, Assistant Deputy Minister — Strategic Planning, Transport Canada, to recommend measures to "ensure the efficient and cost-effective distribution of potatoes." The second report of the Working Group was presented to the Honourable Otto Lang, Federal Minister of Transport, in December, 1978. While the first report prepared in July of 1977 contained mainly short term recommendations of steps by each interested group (i.e., producer, shipper, carrier and government) to help in reducing known problems and to realize the type of distribution system adequate to meet the needs of the industry for the 1977-78 season, the second report outlined recent progress in resolving the problems identified earlier and longer term steps that should be taken by the various parties concerned to create an efficient distribution system for both domestic and export movements of potatoes.

Also during the past year, the Physical Distribution Advisory Service, at the request of Transport Canada, undertook a study to determine the potential of marketplace warehousing in Central Canada for P.E.I. and N.B. potatoes. In their overall assessment, the P.D.A.S. recommended "that this concept not be pursued any further at this time because of the unfavourable effects such events would have on the key areas of the economy and the marketability of the Maritime potato industry."

Attempts by the industry to negotiate an acceptable level of rates to domestic markets and to Maritime ports resulted in several long and

difficult bargaining sessions with CN Rail. Contrary to the procedure followed in earlier years, rate negotiations were carried out separately by the railways with the two provincial groups. Generally, domestic rates to Quebec and Ontario were increased by approximately 10% from New Brunswick and by approximately 13% to 15% from Prince Edward Island for carload minimum weights up to 70,000 lbs. An increase of 6% to 10% was applied to the higher carload minimum weights but this accounts for very little traffic at the present time. The long standing agreed charge contracts No. 75 (P.E.I.) and No. 207 (N.B.) were cancelled by the railways. The new rates negotiated from New Brunswick shipping points were republished in an open tariff. In the case of Prince Edward Island, the revised rates have been republished in a new agreed charge contract No. 3088.

A fleet of obsolete foreign equipment leased by the Canadian railways is expected to disappear from service by the end of 1979 and it is hoped that a larger number of insulated box cars which can carry heavier loads, and a greater use of piggyback trailers committed to the movement of potatoes, will be adequate to handle the bulk of the domestic shipments in coming years.

CP Rail, the carrier that has handled most of New Brunswick potato traffic in past years, indicated in June, 1978, its desire to end its participation in the movement of potatoes as soon as possible due to increasing losses in the handling of this traffic over the years. An analysis has shown that compensatory rail rates will be completely uncompetitive with those offered by truck, but in order to allow a transition period during which shippers can adjust to greater truck shipments, CP Rail agreed to maintain its services for one more year and to apply only a 10% rate increase on domestic traffic.

Truckers have become increasingly interested in Maritime potato traffic over the past two years and are expected to increase their handling in the coming year. The increased participation of truck carriers was most evident in the movement of New Brunswick export potatoes to Saint John this year and it is expected that the truckers will handle most of this business.

In November, 1978, the Commission assisted the New Brunswick Potato Shippers' Association in securing a modification in rate increases proposed by highway carriers on potato rates to points in Ontario and Quebec.

OCEAN RATE PROJECT

On May 3, 1978, the Atlantic Provinces Transportation Commission presented, on behalf of exporters in the Atlantic Provinces, a sub-

mission to the Eastern Canada/Australian-New Zealand Ocean Freight Conference in Montreal seeking differentially lower ocean rates on traffic originating in the Atlantic Provinces and moving through Maritime ports. For a number of years exporters in Atlantic Canada, along with the A.P.T.C., have viewed the practice of the Conference member lines maintaining ocean rates to and from Halifax and Saint John on a parity with ocean rates to and from St. Lawrence ports as unjust to those exporters located in the Atlantic Provinces. Since there are clearly identifiable costs incurred by the steamship lines on containers originating in Central Canada that are not incurred on container traffic originating in the Atlantic Provinces, the submission requested that these cost savings be reflected in the ocean freight charges assessed against the exporters. While the Conference declined to grant the A.P.T.C.'s request, the representations made by the Commission did achieve some downward adjustments in ocean rates on individual commodities.

Following the representations to the Australian-New Zealand Conference, plans were made to make a similar representation to the Canada-United Kingdom Freight Conference and the Canadian Continental Eastbound Freight Conference, the services of which a significant larger number of Maritime exporters were using as compared to the Australian-New Zealand lines.

Support was sought and received from exporters in the Maritime Provinces through a questionnaire mailed advising them of the submission to be made. On March 22, 1979, the A.P.T.C. presented its submission to the Executive Committee of the Canada-United Kingdom Freight Conference and the Canadian Continental Eastbound Freight Conference in Montreal. Representations from eight major Maritime exporters were also presented at this meeting, as well as written support from a large number of other exporters. As of year end, no decision has been received from the Conference member lines.

PHYSICAL DISTRIBUTION MANAGEMENT SEMINARS

Again this past year, Physical Distribution Management Seminars were conducted jointly by the Physical Distribution Advisory Service and the Atlantic Provinces Transportation Commission. Two day seminars were held at Charlottetown, P.E.I., on April 11 and 12, 1978, in co-operation with the Greater Charlottetown Area Chamber of Commerce, and at Halifax, N. S., on November 7 and 8, 1978, in co-operation with the Halifax Board of Trade.

The A.P.T.C. workshop leaders dealt with the element of **Transportation**, covering such subjects as "How to Avoid Transportation Overpayments; How to Ensure You are Receiving the Benefit of the Lowest Freight Rate; How the Freight Assistance Program Works; Freight Rate

Negotiating Opportunities; Planned Changes in the Subsidy Programs; and Checklist for Transportation Cost Savings." The P.D.A.S. staff dealt with other elements of Physical Distribution, namely: **Inventory, Warehousing and Customer Service.**

These seminars continue to be well received by business in the Atlantic region as indicated by the comments in the appraisal forms completed by the participants.

MEETINGS AND CONFERENCES

As has been customary in previous years, the A.P.T.C. Chairman or senior staff members have been called upon to attend many meetings, conferences, and to speak to or report to various groups and organizations during the year. A summary of these activities for the year 1978-79 follows:

Date	Conference/Meeting/Organization	Nature of Participation
1978		
April 4	Maritime Lumber Bureau Directors	Report
April 19	Newfoundland Dept. of Industrial Development	Address
May 25	Ottawa Transportation Club	NTW Address
May 29	Canadian Air Transport Administration, Seminar	NTW Address
May 30	Canadian Feed Industries Association, Atlantic Division	Panel Moderator
June 1 & 2	Maritime Lumber Bureau Annual Meeting	Report & Panelist
June 5	Atlantic Provinces Chamber of Commerce	Report
June 28	Nova Scotia Forest Products Association	Report
Aug. 17	Council of Eastern Forest Products Association	Report
Sept. 12	Traffic Clubs International	NTW Report
Sept. 12	Atlantic Professional Engineers Conference	Address
Sept. 12	Agriculture Planning Conference	Paper
Sept. 27	Yarmouth Chamber of Commerce	Address
Oct. 4	Maritime Lumber Bureau Directors	Report
Oct. 30	Atlantic Provinces Chamber of Commerce Directors	Report
Nov. 21	Canadian Grocery Distributors Institute	Address
Dec. 12	Maritime Lumber Bureau Directors	Report
1979		
Jan. 12	Moncton West/Riverview Rotary Club	Address
Jan. 16	Moncton Purchasing Agents Association	Address
Jan. 19	South Shore Affiliated Boards of Trade	Address
Jan. 24	Nova Scotia Forest Products Association	Report
Feb. 6	Maritime Lumber Bureau Directors	Report
Mar. 19	Manufacturers & Suppliers Section of (N.S.) Construction Association	Address
Mar. 20	Purchasing Management Association of Canada — New Brunswick Division	Address
Mar. 28	Atlantic Plant Food Education Seminar	Panelist

OTHER ACTIVITIES

Much of the work of the A.P.T.C. is associated with providing assistance to individual industry or industry groups throughout the region. Such assistance, because of its nature, does not lend itself to detailed coverage in an annual report despite the fact that it does produce tangible benefits for the region. To provide some indication in this report of the broad range of matters which have been dealt with by the Commission in this category, the following information is presented.

During the year the Commission noted that rail rates on **confectionery** from the Atlantic region to points in Western Canada had become out of line in relation to similar rates for shipments from manufacturing points in Ontario and Quebec to points in Western Canada. As a result and with the authorization of the two major confectionery manufacturers, the Commission made representations to the Canadian railways to bring the relation between the Maritime rates and the Central Canada rates to points in Western Canada into a more traditional position. These representations were successful and the two companies benefited substantially.

A Nova Scotia **textile** company sought the assistance of the Commission to assist it in analyzing the potential advantages, or otherwise, of operating a private truck service for the transportation of its outbound finished products and inbound raw materials.

Several **hardware** dealers in the region received assistance from the Commission in the negotiation of rates on implements moving into the region.

A **plastic container** manufacturer was assisted by the Commission in the establishment of truck rates for its products to markets in the Province of Quebec.

A newly established **steel casting** company in New Brunswick utilized the Commission's services extensively in developing the transportation and distribution pattern to be utilized by it in shipping its product to market.

A **furniture** manufacturer in Nova Scotia benefited considerably from the Commission's services in determining how it could best achieve the benefits of the intra-regional subsidy program on its shipments.

A New Brunswick **forest products** company utilized the Commission's services in the negotiation of rates for **woodpulp** to Saint John, N.B., for export. As a result of this work, the company utilized highway transport to Saint John for a significant volume of product.

The Commission analyzed the transportation pattern for a Nova Scotia **insect repellent** manufacturer and assisted it in making the most effective use of transportation services available at the lowest possible cost and securing the inclusion of its product in the Selective Westbound Subsidy program.

As has been the case over the past number of years, the Commission co-ordinated a meeting between the railways and the Atlantic Division of the Canadian Feed Manufacturers' Association to consider rates on Ontario **corn** moved to the Maritimes. These meetings resulted in benefits to the feed producers in the transportation of corn as an ingredient for livestock feed.

The Nova Scotia **canned food** producers utilized the Commission's services to assist them in the preparation of material to have some of their products reviewed by the Federal/Provincial Committee on Atlantic Region Transportation as to eligibility for the Intra-Regional Special Selective Subsidy program.

The Commission assisted the processor of **peat moss** products in New Brunswick in determining the proper classification for its pellets on shipments to the United States, as well as negotiating with the railways to avoid a rather significant rate increase proposed by the carrier.

The **stove** manufacturers in the region were assisted by the Commission in negotiating a lesser rate increase on stoves and ranges to points in Western Canada than had been originally proposed by the railways.

A Nova Scotia **textile** firm called upon the Commission on several occasions to assist it in determining the proper rates on certain inbound raw materials. As a result, the Commission was able to reduce the company's transportation cost.

A Maritime **furniture** manufacturer made extensive use of the Commission's services in negotiations with the railways for rates on its products to markets in Ontario and Quebec. As a result of the Commission's assistance, the company was able to save many dollars in transportation costs.

Many companies throughout the entire Atlantic region sought assistance from the Commission in determining current or potential ocean rates for their products to markets in various foreign countries. The increasing number of such inquiries is indicative of the increased interest of Atlantic Provinces' exporters in offshore markets.

The Commission provided a significant amount of assistance to a **board** manufacturer reopening its operations on the Miramichi.

In conjunction with the Physical Distribution Advisory Service, the Commission completed a study that analyzed the transportation network of a Nova Scotia **carpet** manufacturer, with a view of reducing overall costs while maintaining or improving its customer service.

The Commission's newsletter "*Tips & Topics*" continued to be published monthly, with each mailing consisting of approximately 3,400 copies. The fifth edition of the Commission's "*Directory of Ocean Containership Services Between Halifax-Saint John and World Ports*" was published in December, 1978. This popular directory provides a handy reference for Atlantic Provinces' companies interested in securing steamship services to offshore markets, as well as a promotional tool to encourage the movement of export and import traffic through the Ports of Halifax and Saint John from other parts of North America.

Work on preparing material for the publication of the second issue of the Commission's "*Transportation Directory*" was completed at year end and the 1979 issue of the Directory will be released during the month of May, 1979.

The Commission has maintained close association with a number of organizations, both within and outside the Atlantic region. Specifically, the Commission has maintained close liaison with the Atlantic Provinces Chamber of Commerce, the Atlantic Division of the Canadian Industrial Traffic League, the Atlantic Divisions of the Canadian Manufacturers' Association, the New Brunswick Potato Shippers' Association and the Prince Edward Island Potato Marketing Board. In the case of the Atlantic Provinces Chamber of Commerce, the A.P.T.C. Chairman is a Director of that organization, while the General Manager serves as an Ex Officio Director. The Commission is represented on the Transportation Committees of the Canadian Feed Industries Association (Atlantic Division), the Maritime Lumber Bureau, the Nova Scotia Forest Products Association, and the Voluntary Planning Group of Nova Scotia. During the past year, the A.P.T.C. served on a regional committee formed by the Canada Grains Council, known as the Atlantic Provinces Advisory (Action) Committee, to provide input into the Eastern Grain Handling and Transportation Study of the Canada Grains Council.

The Commission has maintained membership in such groups as the Atlantic Provinces Economic Council, the Canadian Association of Physical Distribution Management, the Canadian Transportation Research Forum, and the Greater Moncton Chamber of Commerce. The General Manager serves as Secretary of the Canadian Transportation Research Forum, a member of the Board of Directors of the Greater Moncton Chamber of Commerce and a member of two of the Metric

Commission's Committees, namely, the Water Transport Sector Committee and the Working Group on Tariff Conversion.

During the year 1978, the General Manager served as National Chairman of the National Transportation Week Committee, consisting of some thirty people from all walks of transportation activity across Canada. This event, which as been observed the latter part of May during the past nine years, serves to focus attention on the importance of transportation to the economy of the nation and to pay tribute to the many persons who contribute to the efficient transportation and distribution of goods and people throughout the country. The National Committee concluded that the 1978 National Transportation Week activities were the best ever. The General Manager expresses his thanks and appreciation to the Directors for the opportunity to serve as N.T.W. Chairman for 1978.

COMMISSION DIRECTORS

During the year covered by this report, the Atlantic Provinces Chamber of Commerce appointed Mr. E. M. S. Fisher, President and General Manager of The Enterprise Foundry Company Limited of Sackville, N. B., to the A.P.T.C. Board of Directors. Mr. Fisher replaces Mr. J. Graham MacDonald of Moncton, N. B., who had completed two terms as a Director of the Commission.

To Mr. MacDonald, the Chairman and General Manager express their appreciation and thanks for the contribution that he has made to the work of the Commission during his terms of office.

Three former Directors of the A.P.T.C. died during the year 1978-79. Mr. F. R. Rand of Sackville died in October. Mr. Rand had served as a Director for many years, as well as Vice-Chairman for New Brunswick. Mr. R. J. McGrath of Hantsport, N. S., died during the fall of 1978. Mr. McGrath had served a number of years as a Director appointed by the Atlantic Provinces Chamber of Commerce. More recently, Mr. G. A. Heaton, an appointee by the Atlantic Provinces Chamber of Commerce, from St. Francois, N. B., died. Mr. Heaton had served a number of years as an A.P.T.C. Director.

During the year a number of changes occurred in the A.P.T.C. Executive Committee. Mr. Glendon F. Eddy of Bathurst, N.B., retired as A.P.T.C. Chairman in May, 1978, after serving two years in that position. Mr. Eddy remains a member of the Board of Directors and the Executive Committee. He gave extensively of his time and energies to the Chairmanship of the Commission. In recognition of his service, his fellow Directors presented him a suitably engraved plaque at the May, 1978, Annual Meeting.

The Directors elected Mr. George D. Wright, President of Campbell & Burns Limited of Central Bedeque, P.E.I., as Chairman — the first A.P.T.C. Chairman from Prince Edward Island.

Mr. D. G. Burchell, a former Chairman of the Commission and for many years a member of the Executive Committee of the Commission, resigned from the Executive Committee. Mr. Elwood Dillman, Atlantic Provinces Chamber of Commerce appointee from Hantsport, N.S., was appointed to the Executive Committee to fill that vacancy. The Chairman and General Manager express to Mr. Burchell, on behalf of all the Directors, sincere appreciation and thanks for the guidance and direction that he has given to the Commission, not only as a former Chairman but as a member of the Executive Committee. During his years on the Executive Committee, Mr. Burchell has contributed a tremendous amount to the work of the Commission. It is gratifying that while resigning from the Executive Committee, Mr. Burchell will continue to sit as a member of the Board.

ACKNOWLEDGMENTS

Much of the work done by the Atlantic Provinces Transportation Commission would not be possible if it were not for the excellent co-operation it has received during the past year from all the transportation interest with which it has had occasion to work. To the carriers and their agencies, the A.P.T.C. Board of Directors express their thanks for such co-operation. It is a sincere wish that the association between the Commission and the carriers has been mutually beneficial.

The achievements of the Commission are in a large measure due to the support of its Board of Directors. For the guidance and direction given by the Board, the Chairman and the General Manager express their sincere thanks.

No report would be complete without acknowledging the dedication with which the A.P.T.C. staff carry out their responsibilities. Without the loyal, dedicated and efficient discharge of their duties, the work of the Commission would not be possible. For that service, the Chairman and the General Manager acknowledge their indebtedness and express to the staff a sincere vote of thanks for services rendered.

Finally, in respect of the Commission's associated organizations, the Physical Distribution Advisory Service and the Freight Audit Service, the Chairman and General Manager acknowledge the role that these organizations play in complementing the work of the Commission.

All of which is respectfully submitted.

The image shows two handwritten signatures. The signature on the left is "George D. Wright" and the signature on the right is "Craig S. Dickson".

George D. Wright
Chairman

Craig S. Dickson
General Manager

