



## Canada Transportation Act Review 2014

By Darryl Anderson  
Managing Director, Wave Point Consulting

On June 25, 2014, the federal Transport Minister launched a review of the transportation economic and associated regulations in Canada. The review provides a once-in-a-decade opportunity to consider how the national transportation system can best be leveraged to support Canada's continuing economic growth. A major economic recession, new interest in overseas energy exports, a reinvigorated and ambitious federal trade policy agenda, the Asia-Pacific Gateway and Corridor Strategy, public safety concerns, and increased stakeholder/public activism are just some of the most significant changes that have occurred since the last review. This article will provide an introduction to the process and provide some insight into some of the issues that stakeholders think are important for our federal transport legislation.

### Canada Transportation Act review

The review will examine the extent to which the national transportation system has the capacity and adaptability that will allow it, and its users, to respond effectively to evolving international and domestic conditions and markets. This will include examining major global and national trends relevant to transportation; projecting freight capacity needs across the system; examining whether existing or planned capacity and performance improvements will be responsive to these needs and periodic demands for surges in capacity.

Specific topics of interest to *BC Shipping News* readers that stakeholders are asked to consider, include:

- Whether adjustments to the current transportation legislative and policy

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framework are required to support Canada's international competitiveness, trade interests, and economic growth and prosperity;

- How strategic transportation gateways and corridors can be developed and leveraged to support Canadian prosperity through linkages to global markets;
- How the quality and utilization of transportation infrastructure capacity can be optimized through, for example, improved alignment of transportation policies and regulations and/or the use of innovative financing mechanisms;
- How technological innovation can contribute to improvements in transportation infrastructure and services;
- Whether adjustments to transportation safety and environmental regimes are needed to continue achieving high standards for safe and sustainable transportation, given increasing system volumes/demands;
- How safety and well-being concerns related to rail transportation (including the movement of dangerous goods) through communities can be addressed;
- Whether current governance and service delivery models for key federal operations, assets and agencies — including the Canadian Transportation Agency, Canadian Pilotage Authorities, the St. Lawrence Seaway, and airport and port authorities — can be improved.

### Review process

The Review Panel, being led by the Honourable David Emerson, will provide advice on possible steps to help ensure that the national transportation system has the capacity and nimbleness to support economic activity across all sectors over the medium-and long-term. The Review Secretariat issued its first discussion paper at the end of September. This document gave us some indication of the Commissioner's initial thinking. The Review Panel is due to report to the federal Minister of Transport at the end of 2015. Yet, the timing and delivery of the Panel's recommendations may be ultimately determined by the timing of the next federal election.

To get a further glimpse of the subjects of interest, a number of individuals and organizations were contacted and asked to provide their perspective.

### Rail freight expected to be a dominate issue

A key issue in previous reviews of federal transportation legislation has been the performance of the railway sector. The impact of railway behaviour on freight shippers and the broader economy was a very hot topic earlier this year when the federal government announced new legislation in response to the backlog of grain moving to export position.

In 2001, the Canadian Transportation Act Review (CTAR) panel examined the data on railway industry performance after deregulation. The analysis (shown in Graph 1) legitimately concluded that economic deregulation had resulted in lower costs for rail transportation. The CTAR 2001 report provided an index of railway revenues per tonne kilometre (in constant 1988 dollars from 1988 to 1999) to support their findings. The analysis clearly showed that revenue per tonne km on a constant 1988-dollar basis was on a downward trend from 1988 to 2003.

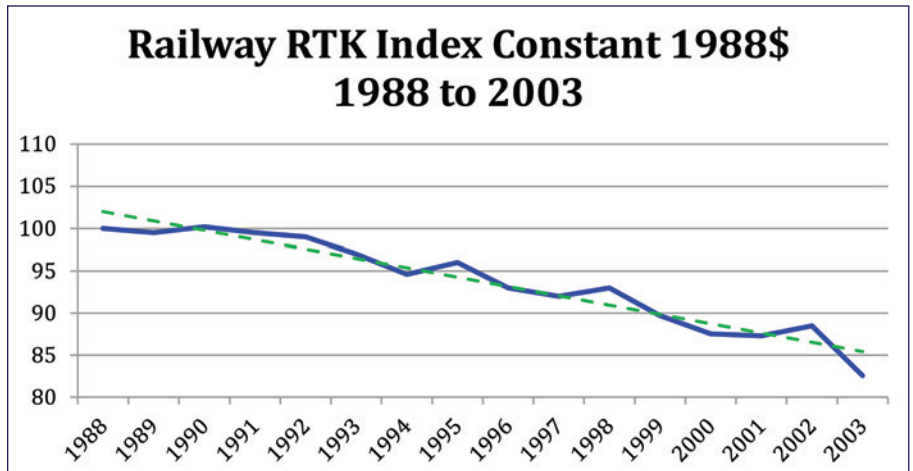
Phil Davies, Principal Davies Transportation Consulting Inc. extended the CTAR 2001 index using CN's annual revenue per tonne mile figures and the earlier downward trend has not held up (shown in Graph 2).

## Freight Management Association of Canada perspective

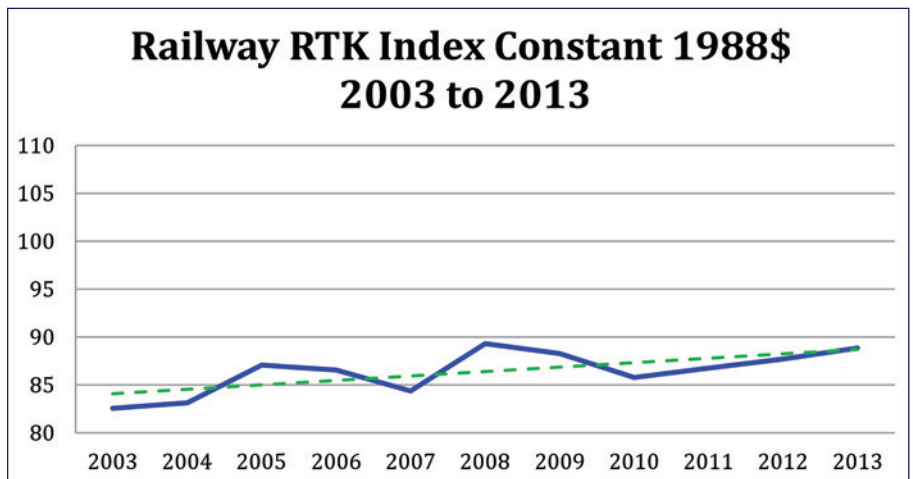
The CTAR 2014 review will no doubt consider evidence on whether economic deregulation has gone too far and if the railways are abusing their market power. Since the topic of rail service and competition and other issues will be at the heart of this review for many shippers, we sought the perspective of the Freight Management Association of Canada (FMA). The FMA provides government relations on behalf of the buyers of freight transportation. In response to our questions, President of the FMA, Robert H. Ballantyne, made a number of observations related to freight surface transportation topics.

In terms of what is working well in the current Canada Transportation Act, Ballantyne noted that the existing rail shipper protection provisions, such as the service level compliant process, regulated inter-switching rates and Final Offer Arbitration (especially for large shippers) were effective. However, the current Act's provisions with respect to competitive line rates were an area that needs to be improved. He also commented that rail shippers in the U.S. have access to aggregated railway waybill sample data. If similar data were mandated to be made available here it would be useful for Canadian shippers.

On the topic of rail safety, Ballantyne acknowledged that municipal governments — especially first responders — have a need to know the details about the types of dangerous goods and energy products that were moving through their



Graph 1 — Analysis of costs for rail transportation following deregulation.



Graph 2 — Further analysis of costs for rail transportation since 2003 show the downward trend has not held up.

communities. The CTA Review process could no doubt serve as an important forum for clarifying what level of aggregate data and the timing of release of information should be made available. As rail and port traffic increases, the need for providing data to municipal stakeholders grows in importance.

Finally, on the topic of structural issues of importance that should be considered by the Review Panel, Ballantyne noted the issue of transport and port system capacity to meet bulk, breakbulk, containerized and other forms of cargo as being important topics to address with this review.

## Railway Association of Canada perspective

No discussion on the future shape of economic regulation in the transport sector would be complete without the perspective of the Railway Association of Canada (RAC). The association

represents some 50 goods, tourist, commuter and intercity rail businesses in Canada and their 34,000-plus employees, and has more than 60 associate member suppliers and partners. RAC acts to inform officials, develop programs, policies and resources and communicate with the public and media to strengthen the role and capacity of rail to deliver leading services that are economically viable, socially cohesive, future focused and environmentally sustainable.

Michael Gullo, Director, Policy, Economic and Environmental Affairs provided the RAC responses to the questions below.

**Q.** What existing provisions of the Canada Transport Act should be kept?  
**A.** The Canadian railway sector supports any regulatory environment that favours commercial forces, and the innovation and increased supply chain collaboration they promote.

# TRANSPORTATION ACT

**Q.** What needs to be changed? **A.** The CTA review presents Canada's railway industry with an opportunity to foster a greater understanding of rail's significant capacity, and its positive role in both export and domestic supply chains. RAC will emphasize the importance of supply chain collaboration, network capacity investments, and winter weather's impact on rail technologies and service reliability. RAC would support any changes that favour co-operative supply chain collaboration.

## Alberta Government's perspective

The Freight Management Association of Canada and the Railway Association of Canada offer sharply differing perspectives. Therefore, we sought the perspective of Alberta, home to many of the export products that use the Pacific Gateway and major Canadian railroad.

Sara Wong, Director, Multi-Modal Transportation Policy and Project Director, Transportation Strategy for Alberta, noted: "Alberta is the largest-volume rail shipper in the country and the demand for our products is growing as we expand into new markets. A repeat of last winter's backlog of commodities moving by rail to port would put our long-term economic growth at risk. For Alberta and Canada to avoid any permanent damage to our reputation as a reliable global supplier of energy, food and other goods, we must aggressively seek and swiftly implement solutions to strengthen our ability to safely deliver goods to market in a timely manner."

Wong further stated: "For Alberta, market access is an issue that goes beyond any one industry or commodity group. That's why, as a government, we are collectively working to ensure that all interests are represented and will continue to advocate for our export industry and be actively engaged in the review. Alberta strongly encourages representatives from all commodity sectors to participate in the federal CTA review process to ensure their concerns and suggested solutions are put on record. As a government, Alberta is also working with stakeholders to make a comprehensive presentation at the appropriate time that would provide suggested solutions to ensure there is sufficient capacity to meet future growth."

## Maritime transport perspective

Some shippers, railways, airlines and some provincial governments have welcomed the announcement of the CTA Review process with press releases, neither the Canadian Maritime Chamber of Commerce, the Association of Canadian Port Authorities, nor the Chamber of Shipping of British Columbia have taken such an approach.

The Honourable Lisa Raitt, Minister of Transport in remarks to the Association of Canadian Port Authorities in August said: "The review is an opportunity to examine our legislation and policy frameworks, to ensure they are up to date and contain the right measures for modern times. It will look at how we can ensure that the national network has the capacity and is nimble enough to meet medium and long-term demands."

More specifically, with respect to ports, Minister Raitt observed that "the CTA Review will provide an opportunity to examine the governance and service delivery models for Canada Port Authorities and identify how they can be improved."

The federal Transport Minister and former President/CEO of the Toronto Port Authority challenged the ACPA conference delegates and their stakeholders as well as the CTA panel, to help develop ways that all can work together to address these matters.

The B.C. maritime community has accepted the Minister's challenge and under the leadership of the Chamber of Shipping of British Columbia has already hosted a workshop on the theme of whether the Canadian port model was working (see page 34 for a summary).

## Conclusion

The perspectives of those interviewed for the article suggest that competition, infrastructure capacity, safety, and market access may be some of the shared policy objectives. The question for *BC Shipping News* readers is what, if any, policy and practical changes are required to ensure that Canada's multimodal transport and maritime logistics system meets the needs of those who rely on global supply chains to serve both domestic and international clients.

Those in the shipping and port sector are at the forefront of meeting freight transport system customer demands. I welcome and encourage a robust exchange of ideas on this topic, especially as it pertains to possible solutions. While many stakeholders will agree on the objectives, there will no doubt be heated debate about the best way to reach them. The voices and perspectives of the shipping, port and marine sectors need to be at the forefront of this important national discussion.

*Darryl Anderson is a strategy, trade development, logistics and transportation consultant. His blog Shipper matters focuses exclusively on maritime transportation and policy issues. <http://wavepointconsulting.ca/shipping-matters>.*



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