

LUNCHEON SPEECH TO THE
SHIPPING FEDERATION OF CANADA

APRIL 28, 2005

DISCUSSION FORUM: CAN WE CARRY THE CARGO?

Je suis heureuse de cette occasion qui m'est accordée de vous adresser la parole aujourd'hui. D'abord, permettez-moi de remercier la Fédération maritime du Canada qui a organisé ce forum. Je tiens à reconnaître l'appui constant de la Fédération maritime du Canada. En effet, elle a contribué à l'élaboration de la politique maritime par sa participation à l'examen de la *Loi maritime du Canada*, au Conseil maritime et industriel national et, récemment, à l'Étude sur les avantages de l'industrie maritime. Je veux aussi reconnaître les participants de la table ronde et tous ceux qui ont su trouver du temps dans leur horaire chargé pour être ici aujourd'hui.

Dans cette allocution, je veux aussi partager avec vous le défi auquel sont confrontés le Canada et notre réseau de transport maritime et donner un aperçu de quelques-unes des mesures que Transports Canada a mises de l'avant pour traiter de ces difficultés, et qui pourraient fournir une réponse à la question – Pouvons-nous transporter la cargaison?

Our recent joint study with industry on the economic benefit derived from the marine transportation industry demonstrated that it contributes over \$9 billion to Canada's Gross Domestic Product in direct, indirect, and induced benefits. Canadian international ports and waterways play an integral role in the overall transportation network and feed the overland trade corridors connecting Canada with the rest of North America. Each year the marine mode moves more than \$100 billion worth of goods, much of it international container traffic.

Both Canada – U.S. and international overseas traffic have increased over the last decade and we are currently seeing dramatic shifts from traditional trading partners such as Europe to emerging economies in Asia. The growth in trade continues to be a driving economic force that is putting a strain on many parts of the transportation system. If one part of the supply chain breaks down then everyone suffers. The efficiency of intermodal linkages and the transportation system as a whole is critical in keeping factories operating and store shelves stocked. I am sure that most people in this room are feeling the pressure with respect to the capacity of the transportation system.

Rightfully so, there are concerns about the ability of the transportation system to meet current demands, let alone absorb future growth. With increasing volumes of trans-Pacific cargo moving into west coast ports and finding congestion already present, cargo is taking alternate routings through the Panama and Suez canals to east coast ports in order reach inland destinations. In addressing this issue we must not simply look after the front door, those ports along the Pacific coast, but address the entire transportation framework that supports our economy.

COMPETITIVENESS

The priority for our policy framework remains the safety and security of the entire transportation system, but in *Straight Ahead*, we also identified a strong commitment to a market-oriented policy framework that encourages growth and investment by industry and selective investments in infrastructure by the public sector. We also recognize the need to ensure integration across modes in order that the system stimulates and supports economic activity as efficiently as possible.

Transport Canada's commitment to modal integration entails a view of each transportation mode, not as an isolated segment, but as a critical interrelated national system that is linked with the rest of North America and beyond. The department promotes horizontal initiatives among modes and places a premium on coordinated efforts with transportation providers and users. Our commitment is to support key intermodal connections and make policy decisions based on the functioning of the entire transportation system. Hence, one of our goals is to position the maritime transportation system to help develop capacity, accommodate increasing market demands, and take advantage of opportunities in a commercial and competitive environment.

The continued competitiveness of the Canadian economy is highly dependent on the transportation system and its infrastructure. It is therefore important how industry and government can work together to advance the needs of the marine transportation system as a powerful lever for economic growth.

Marine waterways form primary corridors of trade – they are embedded and linked to a massive multi-modal network of rail, road and air transportation that extends across key market areas. To this effect, east and west coast trade lanes and the Great Lakes/Seaway system should not be perceived as independent and separate transportation corridors, but rather need to be looked at increasingly, as interactive and interdependent connectors, parts of the larger transportation and trade network.

To improve the competitiveness of the marine sector, we need to be cognizant of many other issues such as the integrity of the regulations regarding marine operations, safety and security requirements, and the increasing concerns around transportation's impact on the environment. An analysis framework that enables wise choices to be made can take a great deal of effort.

CANADA MARINE ACT

A key component to maintaining competitiveness in the marine mode has been the *Canada Marine Act (CMA)*, an Act that has transformed an antiquated system of running ports and the St. Lawrence Seaway into a new vibrant regime based on local decision making and expertise. However, stakeholders and the independent Panel that reviewed the Act in 2003 have pointed out that more needs to be done to improve Canada's port system. We hope to have CMA amendments in the form of a Bill introduced in the House soon.

The principal concerns identified during the CMA Review focused on the marine sector's financial flexibility, especially for Canada Port Authorities, to maintain economic viability and to respond effectively to changing market demands. Rapidly increasing trade, congestion, competition from U.S. ports, new and expanding markets, the government's own policy of funding major infrastructure projects, and global competitive pressures faced by Canadian shippers means you in the marine industry are experiencing a much different world than ten years ago when the National Marine Policy was adopted.

However, in an effort to continue to maximize the efficiency of the Canadian marine sector and to maintain Canada's attractiveness as a gateway for international trade, the department will not limit its activities to legislative amendments, but will also pursue policy initiatives in key areas intended to improve the competitiveness of the Canadian marine industry.

Such broader actions are needed to help deal with emerging pressures on infrastructure capacity arising from new trading patterns. Furthermore, there are pressures of a competitive nature among ports in North America as gateways compete for the right to handle the new generation of larger container ships that are entering service on the mainline ocean trading routes.

From what we have heard from you in the industry, the question of infrastructure and the port authority's ability to attract investment is perhaps the most pressing. With respect to the question of sustained infrastructure funding we continue to investigate opportunities through discussions with Infrastructure Canada. In addition, we have closely reviewed whether ports have the necessary financial instruments to be competitive and how existing mechanisms could be adjusted and simplified to address new needs. We have asked ourselves whether or not the legislative framework reflects the new economic realities and does it provide the necessary scope for investment given the cost of capital and of port expansion projects.

A consensus exists that the regime provided by the 1995 National Marine Policy and enshrined in the CMA, has generally resulted in a better operating environment in today's competitive world. No one would want to return to the old model and most of us in the room would support a continued emphasis on a commercial system that does not rely on the public sector. Nonetheless, the challenges of the past few years have definitely necessitated fresh approaches.

Take for example the issue of marine security. Since September 11, Canada has given a high priority to protecting critical infrastructure in the marine mode. Over the past three-and-a-half years, the Government of Canada has committed more than \$9 billion to national security measures. Of this total, more than \$930 million has been dedicated to marine security initiatives. For example, we first addressed port security and protection of coastal approaches by increasing aerial surveillance to track vessels entering and operating in Canadian waters, by improving screening of passengers and containers, and establishing a \$115 million program to help Canada's ports modernize and strengthen their security systems.

The focus on marine security has since been extended to include initiatives for the Great Lakes and St. Lawrence Seaway. The most recent budget contains funds for several projects specific to the Great Lakes and Seaway, including:

- New mid-shore patrol vessels,
- Emergency Response Teams, and
- Design of a marine security operations centre, to work in collaboration with those under development on the East and West coasts.

This is one example of the Government's recognition that Canada's waterways and marine infrastructure are strategically important and must be kept competitive for international trade. Getting back to the *Canada Marine Act*, I would like to reiterate that we hope to bring forward proposed amendments to improve on the significant changes made to the ports sector in 1998. At the same time, the basic principles of commercial discipline to guide port activity will not change. Neither will we move to an American type system of ports.

Finally, on this issue of competitiveness, how can we ensure a modal balance and alternatively, how can we support the general policy thrust toward greater effectiveness of the entire transportation system through modal integration.

SHORTSEA SHIPPING

One small piece of the puzzle lies in the concept of shortsea shipping which attracted the interest of the department a few years ago. Through our activities we in turn have been able to promote discussion and gain the support of the marine industry in terms of looking at the marine mode as a part of the solution to meeting challenges such as surface and border congestion brought about by increased trade. Greater use of the marine mode can also help maintain a sustainable environment through reductions in greenhouse gas emissions. There are numerous examples of shortsea shipping services operating in Canada, and I hear of more and more service ideas each passing week.

For example, Oceanex has operated a ro-ro service from Montreal to Newfoundland for over 25 years and in response to increased demand is acquiring a state-of-the-art ice-reinforced ship to add to their fleet. Likewise, a number of freight operations across the Great Lakes between Canada and the U.S. are being investigated.

Shortsea shipping offers potential to increase the overall efficiency of the transportation system. In positioning shortsea shipping among a range of policy initiatives, Transport Canada has taken a multi-faceted approach that has included, amongst other things;

- Conducting a series of eight shortsea shipping workshops across Canada,
- Undertaking and supporting research projects and studies, and
- Hosting and participating at North American conferences on shortsea shipping.

We are also actively involved in the Shortsea Shipping Roundtable in Quebec which involves the provincial government, the St. Lawrence Shipoperators, the St. Lawrence Seaway Management Corporation, and the St. Lawrence Economic Development Council. This Roundtable acts as a regional centre of coordination and information sharing on shortsea shipping, and assesses concrete proposals. Each region of the country has unique opportunities to capitalize on new approaches to marine transportation. As an example, we are seeing increased barge traffic along the west coast.

In consultation with industry, including shippers and carriers, as well as other levels and departments of government, Transport Canada continues to explore ways by which shortsea shipping may foster further modal integration, enhance connectivity and greater efficiency throughout the transportation system.

GREAT LAKES / SEAWAY

Another important preoccupation for Transport Canada is the St. Lawrence Seaway. The Great Lakes/Seaway system is a significant economic asset to both Canada and the United States. The waterway serves 15 major international ports and 50 regional ports on both sides of the border, supporting domestic, transborder and international trade. Each year, the Great Lakes/Seaway marine trades approach the range of 200 million tonnes, borne by Canadian, U.S. and overseas-flag fleets.

The waterway is an integral component of a multi-modal transportation network. More than 40 provincial and interstate highways and nearly 30 rail lines link the Great Lakes/Seaway ports with consumers, products and industries all over North America. The waterway plays a strategic role and maritime commerce on the system supports domestic and international trade.

However, the Seaway infrastructure is aging and the costs associated with maintaining the existing infrastructure are rising. It is important to ensure that the Seaway continues to be economically maintained.

One of the key initiatives related to infrastructure is the joint Canada/United States study to assess the ongoing maintenance and capital needs to sustain and optimize the Great Lakes/Seaway system and the existing infrastructure on which commercial navigation depends.

The study is focusing on three main elements involving engineering, economic and environmental implications. While the principal focus of the study is navigational, and much has been made of environmental issues, the study is promoting a balanced approach across the three main aspects of the study.

Transport Canada is committed to ensuring all stakeholders continue to be apprised of these developments. As many of you are aware, a series of stakeholder meetings was held in 2004 across the Great Lakes/Seaway region to inform public and private interests on the study's context, objectives and scope of work. A summary of these meetings has been prepared and the Report on Stakeholder Engagement is now available through the Seaway Study Team web site. The department will undertake a detailed analysis of the issues and themes outlined in this Report. For this particular reason, I would like to bring to the attention of the marine sector that focus is increasingly being placed on transportation and the environment.

One of the major items associated with the broader Seaway review is the joint Canada- U.S. New Cargoes/New Vessels study. This project will provide the detailed qualitative and quantitative analysis to better define the potential new cargo market, including container market, for the Great Lakes/Seaway system. Key issues will include new cargo markets, the nature of the competitive environment, vessel technology options, infrastructure technology options, levels of service options, and international experiences and responses to shortsea shipping opportunities. Consideration will also be given to linkage issues such as infrastructure, optimization of waterway capacity and modal integration.

This is truly a significant undertaking involving Canadian and American departments and agencies. Both countries recognize the long-term importance of this historic waterway.

CHINA

In closing, let me refer briefly to the transportation challenges posed by China. North American trade with China and broad shifts in China's trade with the world is having a global impact, resulting in new trading patterns and relationships.

Canada's bilateral trade with China has grown almost 500 per cent over the past 10 years. The result has been a surge in containerized imports putting strains on West Coast ports of Canada and the U.S. Congestion and bottlenecks at the three largest ports on the West Coast of North America – Vancouver, Long Beach and Los Angeles – has become a major challenge.

To help meet this challenge the federal government and the Province of British Columbia recently announced a program to invest \$30 million of federal money to create a container terminal at the Port of Prince Rupert with the Province matching the federal funding to increase its investment in the Port. Both investments are subject to the finalization of necessary funding authorities.

The Government of Canada is helping to ensure that Canada's West Coast develops and maintains itself as a major uncongested gateway for trans-Pacific trade, investment and tourism. Contributing to the expansion of the Port has economic spin-offs for the entire region, and for the rest of Canada. The Port of Prince Rupert offers the shortest land-sea transportation route to Asia and can help absorb the wave of cargo entering North America. The federal support will help improve Canada's competitive position with respect to Asia by enhancing trade and investment, and supporting Canada's competitive advantage in many regions, sectors and markets.

In addition to developments at Prince Rupert obviously more needs to be done to accommodate the demands of increased trade with Asia. For instance, the government of British Columbia recently submitted a "Pacific Gateway" proposal to the federal government for consideration. The aim of this proposal is to improve capacity and efficiency of Canada's west coast transportation system and to deal with the opportunities that increased trade with this region will bring. In fact, the Minister of Transport is expected to travel to China in the near future.

As I mentioned at the beginning of my remarks, the economic benefit of the marine mode in terms of direct and indirect contribution to the Canadian economy is significant and by all accounts the positive spin-offs of actively promoting Canadian ports and continuously improving the legislative and policy framework of the entire transportation system is something we can all work towards.

In closing, I believe our track record has been consistent with balancing the needs of shippers and carriers within the constraints imposed by a system of parliamentary democracy. I fully realize that the changes you have consistently advocated for may not be forthcoming as fast as you would like.

Nevertheless, the department has been successful in promoting and establishing dialogue as well as bringing forward a comprehensive range of initiatives to support policy development in order to position Canada's marine sector within the domestic and international marketplace.

Thank you again for allowing me to speak in beautiful Montreal.