Atlantic Provinces Transportation Commission

1995 • 1996

Transportation Review

and

Annual Report

. . . *Over 65 Years of Service*

Atlantic Provinces Transportation Commission

Transportation Review and Annual Report for the Year Ended March 31, 1996

The Atlantic Provinces Transportation Commission has offices at Suite 330, 1133 St. George Boulevard, Moncton, New Brunswick. The services of the Commission are available to individuals, corporations and trade groups doing business in the Provinces of Nova Scotia, New Brunswick, Prince Edward Island, Newfoundland and Labrador.

Atlantic Provinces Transportation Commission

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The Honourable Sheldon Lee
Minister of Transportation
Province of New Brunswick
Fredericton, NB

The Honourable Richie Mann
Minister of Transportation
Province of Nova Scotia
Halifax, NS

The Honourable Julie Bettney
Minister of Works, Services & Transportation
Province of Newfoundland and Labrador
St. John's, NF

The Honourable Keith Milligan
Minister of Transportation & Public Works
Province of Prince Edward Island
Charlottetown, PE

Honourable Ministers:

On behalf of the Directors, I am pleased to present the Transportation Review and Annual Report of the Atlantic Provinces Transportation Commission for the period April 1, 1995, to March 31, 1996. This report contains a review of transportation developments in Canada, particularly as they relate to the Atlantic Provinces. In addition, it covers some of the activities of the Commission during the year 1995-96.

Many industries throughout the Atlantic Region have benefited again this year from the Commission's activities. In addition, many issues of major importance to the region were addressed this past year by the Commission. This service to the business community and to your governments is possible only through the financial support provided by the Governments of Nova Scotia, New Brunswick, Prince Edward Island, and Newfoundland and Labrador.

Mindful of the investment of public funds in the Commission, I am pleased to report that, in my opinion, the operations of the Commission are conducted in an efficient and business-like manner.

All of which is respectfully submitted.

Joseph S. Hutchings
Chairman

Moncton, NB
March 31, 1996

LETTER FROM THE GENERAL MANAGER

The past year has seen dramatic changes in transportation in Atlantic Canada. Never before have so many significant events occurred in such a short period of time. As unsettling, and at times confusing, as 1995 may have been, most of the modifications that are occurring reflect the changing business environment facing Atlantic Provinces' firms. As the full impact of many of these new services and policies takes effect, a more efficient transportation system serving manufacturers and producers in Atlantic Canada should result.

Considerable progress was made in the construction of the bridge to Prince Edward Island and on improvements to the highway system in the region, particularly in Nova Scotia and New Brunswick. When completed, these projects will greatly improve the efficiency of the trucking industry. The completion by Canadian National of its Sarnia Tunnel project has had a positive impact on the rail network serving Atlantic Canada and increased the number of import/export containers moving through the Port of Halifax.

Shippers and carriers in Atlantic Canada were adjusting to the termination of the Atlantic Region Freight Assistance program on July 1, 1995, and the elimination of the Feed Freight Assistance program on December 31, 1995. Together these programs were worth approximately $117 million to the Atlantic Region in 1994, the last full year of operation. Transition programs were put in place by the federal government to ease in the adjustment to the termination of these programs.

The federal government continued its withdrawal from operating and subsidizing transportation services. Canadian National was successfully privatized. A new marine policy will see the federal government divest most regional and local port facilities in Atlantic Canada over the next six years. Commercialization of airports continued and changes occurred in ferry services in Newfoundland and Nova Scotia. Perhaps the most controversial matter was a cost-recovery proposal by the Canadian Coast Guard involving fees for navigation aids and ice-breaking, and changes in dredging policy. This was still being debated at year end.

The Atlantic Provinces Transportation Commission was not immune from change as a strategic review of its role and mandate is underway. A consultant's report was completed and discussions with the provincial governments concerning financial support and the future role of the Commission are underway. The APTC looks forward to serving the needs of Atlantic Canada's manufacturers, producers and governments under its redefined mandate for many years to come.

Peter Vuillemot

Peter A. Vuillemot
Acting General Manager

CONTENTS

PAGE

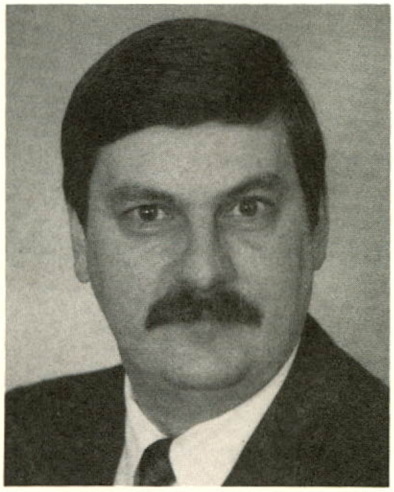
APTC DIRECTORS AT MARCH 31, 1996

NOVA SCOTIA	
Government	
J. Cowan	Halifax, NS
D. J. MacDougall	Halifax, NS
(One Vacancy)	
Atlantic Provinces Chamber of Commerce	
B. Chisholm	Port Hawkesbury, NS
J. E. Macdonald	Windsor, NS
R. Wallet	Shelburne, NS
NEW BRUNSWICK	
Government	
R. Aubé	Bathurst, NB
D. L. Johnson	Fredericton, NB
(One Vacancy)	
Atlantic Provinces Chamber of Commerce	
D. R. Roberts	Sussex, NB
J. Wheatley	Saint John, NB
(One Vacancy)	
PRINCE EDWARD ISLAND	
Government	
M. Bailey	Charlottetown, PE
(One Vacancy)	
Atlantic Provinces Chamber of Commerce	
G. Key	Summerside, PE
E. MacDonald	Borden, PE
NEWFOUNDLAND AND LABRADOR	
Government	
W. T. Beckett	St. John's, NF
E. Hearn	Labrador City, NF
Atlantic Provinces Chamber of Commerce	
J. S. Hutchings	Corner Brook, NF
G. Smith	St. John's, NF
EX OFFICIO	
P. J. Daigle, President, Atlantic Provinces Chamber of Commerce	Moncton, NB

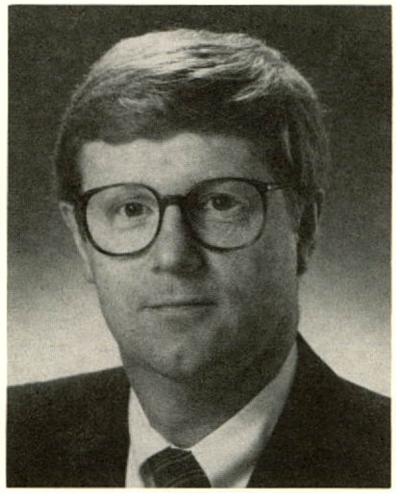
STAFF

Peter A. Vuillemot, Acting General Manager
Jack A. MacQuarrie, Transportation & Distribution Officer
Daniel E. Long, Research Analyst
Debbie E. Matchett, Transportation Analyst
Mona E. Savoie, Transportation Analyst
Charles D. Mollins, Information Systems Officer
Sheldon B. Steeves, Administration & Accounting Officer
Cathy E. Peters, Staff Secretary
Laurel B. Cliff, Assistant Staff Secretary

1995 - 1996 EXECUTIVE COMMITTEE

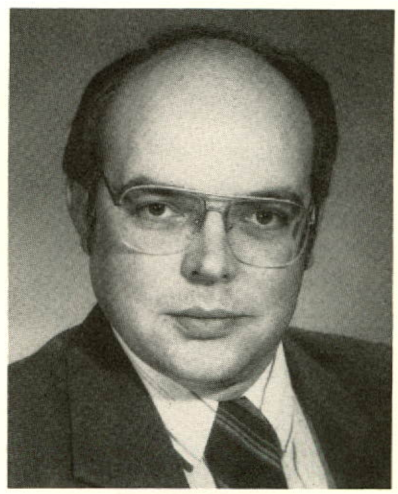


JOSEPH S. HUTCHINGS
Chairman, APTC
Poole, Althouse, Clarke,
Thompson & Thomas
Corner Brook, NF



JOHN WHEATLEY
Vice-Chairman, APTC
Lantic Sugar Limited
Saint John, NB

MIKE BAILEY
Director, Policy & Planning
Province of Prince Edward Island
Charlottetown, PE



W. TOM BECKETT
Director, Policy & Planning
Province of Newfoundland
and Labrador
St. John's, NF

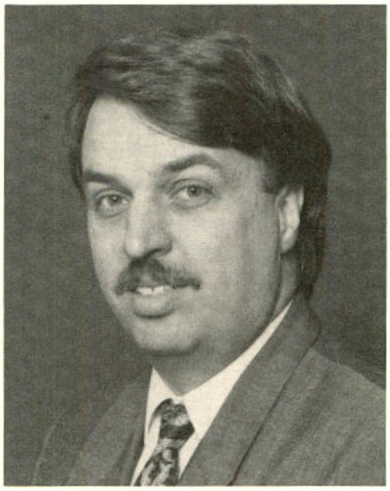
1995 - 1996 EXECUTIVE COMMITTEE

Photo

Not

Available

JIM COWAN
Stewart McKelvey
Stirling Scales
Halifax, NS



DOUGLAS L. JOHNSON
Director, Transportation &
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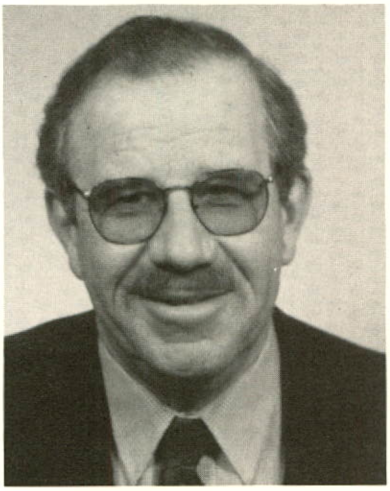
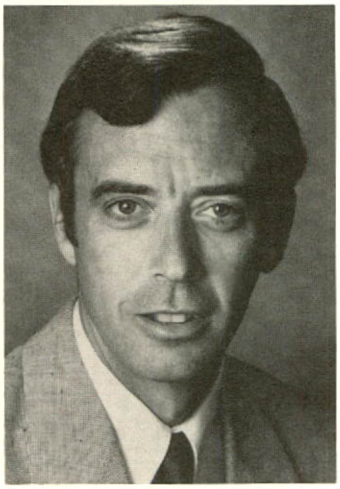
Province of New Brunswick
Fredericton, NB



ELMER MacDONALD
MacDonald Bros. Farm Inc.
Borden, PEI

DON J. MacDOUGALL
Director, Transportation Policy
Province of Nova Scotia
Halifax, NS



PETER A. VUILLEMOT
Acting General Manager
Atlantic Provinces
Transportation Commission
Moncton, NB

BOARD OF DIRECTORS

Left to Right — Foreground: W.T. Beckett, M. Bailey, J. Cowan, B. O'Keefe, E. MacDonald, E. Hearn, B. Chisholm, G. Key, D. Roberts, J. Hutchings; Background: D. Scales, G. Smith, R. Wallet, J. Wheatley, D. MacDougall, E. Macdonald, R. Aubé, D. Johnson; Missing From Photo: P. Daigle

COMMISSION STAFF

Left to Right: Seated — Jack MacQuarrie, Peter Vuillemot, Mona Savoie; Standing — Debbie Matchett, Dan Long, Sheldon Steeves, Charlies Mollins, Laurel Cliff, Cathy Peters

OBJECT AND FUNCTIONS OF THE ATLANTIC PROVINCES TRANSPORTATION COMMISSION

OBJECTIVE

The objective of the Atlantic Provinces Transportation Commission is (i) to ensure the provision of economic, efficient and adequate transportation services to meet the needs of shippers and thus foster economic development in the Atlantic Provinces; and, (ii) to seek out opportunities to effect economies in the use of transportation by both industry and governments.

FUNCTIONS

Within the context of this objective, the functions of the APTC are:

Advisory

(a) *To collect and analyze data and suitable reference material to provide clients with information and expertise on transportation and distribution matters.*

(b) *Circulate information on transportation matters of interest to the Atlantic Region, including rates, service and policy changes.*

(c) *Assist shippers, receivers and producers of the Atlantic Region with advice on transportation rates, services and other transportation and distribution matters.*

(d) *Assist carriers in the Atlantic Region when such assistance is consistent with the Commission's overall objective.*

(e) *Provide advice regarding transportation matters to the governments and government agencies of the Atlantic Provinces, including independent studies on specific issues.*

(f) *Provide information to the governments of the Atlantic Provinces, individually or collectively, pertinent to the assessment or formulation of transportation policy.*

(g) *Provide information on transportation services and costs covering plant locations in the Atlantic Region for industrial development departments or agencies, their clients, or prospective investors.*

(h) *Assist shippers, receivers, industry groups and governments of the Atlantic Provinces, individually or collectively, in the preparation and presentation of submissions and representations to the federal or provincial governments or their agencies.*

(i) *Undertake such projects related to transportation as may be seen to create benefits from a co-ordinated approach.*

(j) *Provide educational services on transportation matters to shippers, carriers and other interested parties in the Atlantic Region.*

Advocacy

(k) *Continually review the transportation systems and the needs of shippers in the Atlantic Region and:*

(1) *make recommendations to carriers or their agencies; and,*

(2) *make recommendations to provincial or federal governments.*

(l) *Continually review transportation policies and the regulatory framework governing transportation in the Atlantic Region and make representations to the federal or provincial governments or their agencies.*

The services of the Commission are available by contacting the Commission's office at 1133 St. George Boulevard (Suite 330), Moncton, NB, E1E 4E1. Inquiries should be directed to the General Manager, Atlantic Provinces Transportation Commission, Telephone: (506) 857-2820; Facsimile: (506) 857-2835; E-mail: aptc@fox.nstn.ca; HP: http://fox.nstn.ca/~aptc.

GENERAL TRANSPORTATION REVIEW

Introduction

During the year in review, the federal government continued to divest of its investment and control of transportation functions. The commercialization of airports, which began with the announcement of the National Airport Policy in 1994, continued throughout the year with a number of airports signing Letters of Intent to negotiate the transfer from federal control to local control.

The National Marine Policy was announced during the year with plans to place national ports under local control, managed by the Canada Port Authority. Other federally controlled ports fall under the category of regional/local ports. These facilities will be transferred, with federal help, to provincial governments, municipal authorities, community organizations, private interests and other groups over a six-year period.

Under the Marine Policy, Marine Atlantic is directed to substantially reduce its costs and increase efficiency by exploring new vessel management and procurement practices, the commercial operation of vessels and the streamlining of services, as well as the schedule adjustments and the possible transfer of some services to provincial control. Changes have already taken place with the Marine Atlantic *Bluenose* service between Yarmouth, NS, and Bar Harbour, ME.

Another important federal government initiative affecting the marine mode comes from the Canadian Coast Guard (CCG) Marine Services Fee proposals. These fees are being developed to allow the Coast Guard to meet federal budget guidelines that the department recover a significant portion of the costs of providing navigational aids and ice-breaking services.

Within the rail mode, the federal government commercialized Canadian National with a share offering in the fall of 1995. The rail mode, though challenged by tough competition from the truck mode and US rail carriers, continues to play a vital role in the Atlantic Provinces. The shedding of uneconomic lines to short line operators have resulted in a number of operations providing excellent service to their customers in both New Brunswick and Nova Scotia. CN Intermodal continues in its significant role in the movement of import/export containers through the Port of Halifax and as a time sensitive alternative to the truck mode for shipments to central Canada and US. The Canada Transportation Act currently before the Senate will provide greater flexibility for the railways to shed unwanted lines.

Issues under provincial control include the upgrading of the region's highways. Twinned highways have opened between Moncton and Sackville, and between Moncton and Sussex, among others in the Province of New Brunswick. Work has begun on the new alignment of Highway 104 in Nova Scotia involving a public-private funding formula. While the need for upgraded highways is accepted and desired by almost all facets of the motor carrier industry, the provincial governments and the shippers and receivers of the goods travelling over those highways, agreement on how to fund those improvements has been elusive.

Rail

Total rail carload tonnage loaded in Canada decreased by 0.7% in 1995 as shown in *Table 1*. Eastern Canadian loadings decreased by 0.3%, while intermodal container traffic showed an increase of 22.7%. Intermodal trailer traffic decreased by 26.9%.

Table 1

RAILWAY CARLOADINGS (Tonnes '000)

	1995	1994	% Change
Carload Traffic Loaded - Eastern Division	99,529.6	99,867.6*	- 0.3
Carload Traffic Loaded - Western Division	136,602.8	137,814.1*	- 0.9
Carload Traffic Loaded	236,132.4	237,681.7*	- 0.7
Non-Carload Traffic Loaded	14.9	14.4	3.5
Containers on Flat Car Loaded	14,338.5	11,683.8	22.7
Trailers on Flat Car Loaded	2,695.4	3,687.4	- 26.9

* Revised figures

Source: Statistics Canada Railway Carloadings December, 1995, Catalogue 52-001

The federal government introduced the Canada Transportation Act, Bill C-101, later reintroduced as Bill C-14, with the goal of eliminating duplication and unnecessary regulation of railways; and, simplify and update the overall legislative framework governing transportation in Canada. Specifics relating to this Bill are found in detail on page 27.

The federal government also introduced Bill C-89, an Act to provide for the continuance of the Canadian National Railway Company under the Canada Business Corporation Act, in the spring of 1995. The Act paved the way for the privatization of CN through a public share offering which took place in October, 1995. The CN privatization issue is detailed on page 29 of this report.

Canadian National Railways unveiled a plan for restructuring of the company in Eastern Canada which reduced the number of district administrative units from five to three. CN's Laurentian and Maritime units became a single unit called the Champlain District. This new district extends from Ontario to Halifax. In addition, two Ontario units have been merged into one and a unit in Pontiac, MI, has been set-up to oversee the US lines operated by CN.

Marketing functions were restructured by creating six business units, each based on key customer groups; Intermodal; Automotive; Forest Products; Industrial Products; Grains and Coal, Sulphur and Fertilizer. Each of the six business units has a core competence in three different areas: customers, markets and products.

Under the new system, CN has created an Account Management Centre, located in Winnipeg where service is provided 24 hours a day, 7 days a week. This facility provides the customer with a single point of contact for all transportation needs, including service requests, car or trailer orders, shipment release, demurrage and detention information, billing inquiries and rates. This system gives customers direct access to the railway through a toll free telephone number to meet their shipping needs.

It was announced in January that CN Gordon Yard Diesel Shops in Moncton would close effective September 1, 1996. The workload will be handled in Toronto. Toronto is quickly becoming the hub for eastern maintenance functions for the railway.

The first CN North America train travelled through the new \$200-million tunnel linking Sarnia, ON, and Port Huron, MI, in April of 1995, marking the completion of the 18 months of construction. This will permit continuous double-stack service over CN's strategic gateway between eastern Canada and Chicago, reducing the intermodal transit times by up to 24 hours. Canadian National and the Port of Halifax have joined forces to capitalize on the improved transit time provided by the tunnel. These efforts have paid off in increased deliveries of import containers to Chicago and surrounding areas and further efforts are being made to increase business with midwest exporters. The Halifax Port Corporation has reported a threefold increase in midwest traffic in 1995 as compared to 1994.

There has been little change to the structure of the short line rail system in the region. The Windsor & Hantsport added a new maintenance shed to the operation, as well as the addition of 10 miles of new rail which was laid in the summer of 1995. The Windsor & Hantsport has increased the number of cars moved by 60% to 70% in their first year of operation.

The Cape Breton & Central Nova Scotia Railway completed its second year of operation maintaining the same level of business as the previous year. The CB&CNS has added 145 cars to their equipment roster and presently employs 58 people.

The New Brunswick Southern Railway continues to operate between Saint John and Brunswick Junction, with no major developments during the year in review.

During the year in review, the Supreme Court of Canada denied an application by the railway unions concerning successor rights on short line rail operations. The Canadian Labour Relations Board had previously ruled that the Cape Breton & Central Nova Scotia Railway is a provincially-incorporated enterprise, not a federal undertaking. Because of this ruling, the operator is not required to recognize the past collective agreements of the Canadian National Railway Company. These are commonly known as successor rights, which are labour code provisions that compel new owners to abide by collective agreements made by the previous owner. This ruling is extremely important for the future of shortline operations in the region and throughout Canada as shortline operators rely on more flexible labour agreements.

The National Transportation Agency of Canada, on September 19, 1995, ordered the Quebec North Shore & Labrador Railway Company to continue passenger-train operations between Sept Iles and Schefferville and between Ross Bay Junction and Wabush/Labrador City. The Agency will continue to pay subsidies to the company, as required by legislation, for losses incurred in operating the service.

While the Agency agrees that the service is not now economic nor likely to become so, it has determined the service is in the public interest. The Agency received 34 interventions opposing QNS&L's proposed discontinuance of the service. The railway first applied to cease operation of this passenger service in 1982. In 1985 and again in 1990, the Agency declared the service uneconomical, but ordered the applicant not to discontinue operations. Under the Railway Act, the Agency must reconsider an application for discontinuance of passenger-train services at intervals not exceeding five years from the date of the last reconsideration.

Following a rail strike which shut down rail service for several days in March of 1995, the federal government legislated the rail employees back to work and imposed a mediation process with binding arbitration as the last resort.

The most important feature of the resulting arbitration award was the weakening of the contentious employment security clauses which provided eligible laid-off employees with full wages and benefits until retirement. The arbitrators have limited the security benefits to cover 90% of a salary for only six years instead of the 100% until retirement. Another important feature of the arbitration award stipulates that employees will only be eligible for employment security if they are willing to accept employment anywhere in the railway's system. In the past, the employee was only required to accept work in the employee's home region.

This decision is an important step toward the future viability of the rail mode in Canada. It is particularly important for the successful privatization of CN. A rail labour study, entitled *Final Report on the Condition of Work in the Railway Industry*, noted that labour costs and productivity are crucial components of the railway's ability to survive.

Merger and buy-out talks are no longer taking place between CN and CP Rail but internal talks continue into the possibility of sharing Eastern Canadian track to reduce losses experienced by both railways.

Highway

The controversy over the tolling of Highway 104 in Nova Scotia reached a milestone during the past year with the announcement that the province had signed an interim agreement with Atlantic Highways Corporation Inc. to build Nova Scotia's first toll highway. On April 1, 1996, provincial Transportation and Public Works Minister Richie Mann announced construction of the stretch of Highway 104 between Thompson Station and Masstown had begun. Although the final agreement is still pending, the interim deal guarantees the maximum cost for design and construction. The interim agreement states the four lane divided portion will be completed in 20 months, at a cost of slightly below $113 million. It will be Canada's first toll placed on a stretch of the Trans Canada Highway. The tolls will be set at $3.00 per car and $2.00 per axle for trucks. The Coalition for Fairness continues to oppose the toll method of raising funds to construct the highway. The Coalition is recommending that a temporary fuel tax increase be implemented in lieu of tolls.

"There are no government guarantees on the revenue, or of the traffic projections over the life of the project. The province has a direct commitment to construction of $55 million that is available under the Canada-Nova Scotia Strategic Highways Improvement Program, and private financing will be raised for the remaining cost," said Minister Mann, in a recent press release.

The design, construction, and operation of the road will be done through the Highway 104 Western Alignment Corporation, which will collect and disburse the toll revenue. Newcourt

Credit Group will underwrite the toll revenue bonds for the private financing by the corporation. The final agreement will be signed when financing has been completed which is expected before the end of April, 1996.

In New Brunswick, the government continues to wrestle with ways of raising the necessary funds to continue work on its TCH and arterial highway system. Transport Minister Sheldon Lee announced the province is considering increasing its fuel tax by 2.5 cents per litre to increase revenues for highway construction projects. Mr. Lee has indicated that increased fuel tax is preferred over highway tolls at this time. This announcement has angered trucking companies and opposition party leaders who say such an increase would hurt consumers and business.

Also in New Brunswick, the government released the legislated Environmental Impact Assessment (EIA) of its proposed southerly route for the TCH from Fredericton to Moncton. The March, 1996, assessment examined the route that would follow Route 7 from Fredericton to the Geary where it would then proceed to Coytown along the northern boundary of CFB Gagetown. A crossing would be built at Coytown stretching across the St. John River. The route would then proceed to Jemseg and over another new bridge crossing the Jemseg River. The existing highway would then be followed from Jemseg to Mill Cove where it would meet up with a new highway to Phillipstown, cross the Canaan River onto Salisbury. The assessment concluded the estimated cost of the new stretch to be $724 million which includes an upgrading for the Sussex to Salisbury stretch and would take 15 to 20 years to complete.

Minister Lee acknowledged that the southerly route is not the only option being examined but it was the one given priority. A legislated 30-day time period for public input has been set aside.

Discussions continued throughout the year in review regarding the Eastern Provinces Task Force on Vehicle Weights and Dimensions, which was established under the auspices of the Transportation Association of Canada to pursue harmonization of vehicle weights and dimension regulations. The Task Force comprises the four Atlantic Provinces, Ontario and Quebec.

The Task Force had reached a final proposal which was presented to the Canadian Council of Motor Transport Administrators in late October. While the Deputy Ministers voted unanimously to accept the proposal, the Transport Ministers hesitated, mainly due to Ontario Transport Minister Al Palladini's refusal to sign. The Ontario Minister had been urged by the Ontario Trucking Association not to sign the deal. In the meantime, the Ontario Minister commissioned two studies to aid in his decision: one, to analyze the impact of existing equipment on bridges; and, the second, to examine the economic impact lighter weights could have. The Minister had not published results of these studies as of March 31, 1996.

Opponents to the Task Force proposal include carriers and shippers. Carriers fear the early obsolescence of their equipment and shippers oppose the reduced payload permitted under the proposal. Those supporting the deal see it as a way of extending pavement and bridge life and enhancing equipment stability.

Further detail on this subject is found on page 31 of this report.

New Brunswick amended the NB Motor Vehicle Act to adopt the National Safety Code Standard 14 which outlines how jurisdictions can integrate information from driver profiles and facility audits to classify carriers by their safety performance. The Standard applies to all carriers with one or more trucks. Regardless of where the offence took place the records would be kept in the jurisdiction of the carriers base plate.

The review is based on a system of demerit points. The number of points awarded a carrier is based on the number of vehicles and drivers in the employ of the carrier. When infractions occur, points are deducted from the carrier. The point system is based on the severity of the infraction. At a specified threshold, the demerits trigger an investigation of the carriers activity by transport officials. Based on the findings of the investigation a carrier would be rated as "Satisfactory"; "Satisfactory Unaudited" (compliance not verified by facility audit); "Conditional" (less than acceptable - operating restrictions could be instituted); or "Unsatisfactory". In the case where a carrier has lost all points, it is called before the

NSC review committee which could result in the suspension of the carrier's operations for a maximum of 60 days.

While New Brunswick is one of the first provinces to introduce this National Safety Code standard, it is expected that a number of other provinces (including Nova Scotia and Prince Edward Island) will be implementing similar regulations in the near future. Newfoundland has had its regulations in place since October, 1993.

New Brunswick published an amendment in its Motor Carrier Regulations which effectively eliminates the economic regulatory control of motor carriers. Regulation 95-127 under the Motor Carrier Act, filed August 14, 1995, and published in the New Brunswick Royal Gazette, September 6, 1995, removed all references to trucks from the regulations, leaving only the bus industry subject to the Motor Carrier Act. As a result of this amendment, the province issued the Commercial Vehicle Bill of Lading and Cargo Insurance Regulation under the Motor Vehicle Act. The regulations replaced the bill of lading regulations under the now revoked Motor Carrier Act.

The new regulations also provide for electronic transmission of bill of lading data. As well, the regulations stipulate that a for-hire carrier shall have, with respect to the goods transported by a for-hire commercial vehicle, a policy of insurance that insures the goods against loss or damage to a maximum of $4.41 per kilogram computed on the total weight of the shipment or the declared value, whichever is higher.

The remaining provisions of the regulations are similar to those documented under the Motor Carrier Act regulations.

The Nova Scotia government has published regulations respecting the *Carriage of Freight by Vehicle* pursuant to Section 303 of the Motor Vehicle Act. The effective date of these regulations was February 7, 1995. As a result, the Nova Scotia Motor Carrier Act has been amended removing all provisions involving motor carriers. Only the bus provisions remain in the Motor Carrier Act reflecting the same change as New Brunswick. The uniform bill of lading and insurance requirements formerly found in the Motor Carrier Act are now documented in these new regulations under the Motor Vehicle Act. The Provinces of Newfoundland and Prince Edward Island moved their bill of lading and insurance requirements to their respective Highway Traffic Acts in 1994.

Also on the regulatory front, the Province of Newfoundland continued its push for deregulation of the transport industry. In 1994, the province repealed those sections dealing with for-hire carriers (except dump truck operators), leaving passenger-related regulations intact. But as of January 1, 1996, the necessity of holding an operating authority and the necessity of seeking schedule and rate approvals is no longer required. The only criteria now is safety-related. Carriers wishing to provide regularly scheduled bus service on the TCH will continue to be required to hold a public service passenger certificate.

The four Atlantic Provinces have started implementing the International Fuel Tax Agreement (IFTA) as of January 1, 1996. The fuel tax agreement allows truckers to file one fuel usage report in their home province which will be recognized in most jurisdictions throughout the United States and Canada. Under this arrangement, a trucker files one fuel usage report instead of obtaining numerous fuel permits and filing separate reports for each province or state in which they travel. Taxes collected by the home province are distributed to participating jurisdictions based on the miles travelled in each jurisdiction. All US jurisdictions are required to have IFTA systems in place by the fall of next year.

Prior to IFTA, the Maritime Provinces participated in the Atlantic Fuel Tax Agreement which followed the IFTA rules; however, it only applied to moves within the three provinces.

SMT (Eastern) Ltd., a New Brunswick bus line, bought Acadian Lines, a major competitor based in Nova Scotia during the year in review. Included in the December, 1995, sale was Nova Charter Service, Inc., Acadian's chartered bus service.

Air

Ongoing changes were again experienced during the past year in the region's airline industry. Continuing the trend of last year, minimal increases in passenger volumes were experienced, improvements at regional airports were introduced and changes in flight frequencies and route patterns were seen. Some of the major changes, both positive and negative, included the following:

- *In the later part of 1995, Iceland Air announced the beginning of scheduled service from Halifax, NS, to Keflavick International Airport in Iceland, beginning May 14, 1996. The airline will be utilizing Boeing 737-400 (153 seats) and 757-200 (189 seats). The schedule will permit connections with 10-15 European destinations daily. The signing of the memorandum of understanding by the federal government allowing Iceland Air access to Halifax is the first such arrangement since the introduction of new provisions for foreign carriers access under the federal government's International Air Transportation Policy, which was announced in December, 1994.*

- *In the spring of 1995, Air Nova introduced a new technology that enables the aircraft technicians to reconfigure a Dash-8 aircraft from passenger service to a full cargo freighter in less than two hours. The aircraft will be used for passenger service in the daytime hours and converted to a freighter configuration for nighttime cargo charters. The Dash-8 aircraft can carry payloads of up to 8,000 lbs. and 1,100 cu. ft. to points throughout Eastern Canada and the Northeastern US. The aircraft loading door dimensions are 60 inches high by 50 inches wide.*

- *In early 1996, Air Labrador added another aircraft to its fleet in order to expand air cargo. The company took delivery of another Dash 7 "combi" aircraft. The additional aircraft provides additional flexibility to the airline's operations as the plane can be configured to accommodate both passengers and freight.*

- *In May of 1995, Northwest Airlines began a non-stop flight from Halifax to Detroit, one of Northwest's largest hubs. The Detroit airport offers passengers one-stop connecting flights on Northwest to numerous US destinations, as well as Tokyo and Osaka.*

- *In June of 1995, American Eagle began twice-daily flights from Halifax to New York (John F. Kennedy Airport). The airline, which began its Halifax service with a 64-seat Super ATR aircraft, downsized to a 34-passenger Saab 340 aircraft to better match traffic demands. Unfortunately, this move did not solve low passenger volumes. In late March, 1996, the airline announced its decision to end its money-losing association with Halifax effective May 1, 1996.*

- *In October, 1995, Canadian Airlines withdrew services from its four Newfoundland communities, namely, St. John's, Deer Lake, Happy Valley-Goose Bay and Wabush, thus eliminating all flights in the province. Air Atlantic, Canadian's connector service, serves Deer Lake and St. John's and Air Labrador expanded its service to fill some of the void, including Canadian's air cargo operation within the province. Business people in Labrador, however, feel that Air Labrador and Air Nova are not filling the gap left by Canadian and are experiencing difficulties associated with late freight. This problem was particularly acute during the last Christmas season.*

- *On March 8, 1996, roughly a year after commencing daily service from Halifax to Boston, the Portsmouth, NH, based carrier, Business Express, discontinued this service. The airline served as a feeder for Delta Airlines and Northwest Airlines.*

- *In October, 1995, Transport Canada granted Shearwater Airport in Eastern Passage, NS, civilian status. Prior to this date, the airport operated under the Department of National Defence. Although rumoured that Maritime Global Airlines is expected to be the first customer offering scheduled service, as of March 31, 1996, no official commitment had been announced.*

- *KLM announced that it would drop it's Amsterdam-Halifax service effective with April 1, 1996. This was the result of the company decision to drop the route after adopting a new corporate policy that it would no longer service areas in co-operation with smaller regional airlines flying under the KLM flag. The Halifax service was, in fact, provided by Martinair, a European charter firm based in Amsterdam.*

- *On October 31, 1995, an agreement by I.M.P. Group International to purchase all shares in*

Air Atlantic was signed. Subsequently, on February 21, 1996, the National Transportation Agency issued a formal approval of I.M.P. Group International Inc. purchase of 100% of Air Atlantic.

Preliminary work for a new $7.1 million air traffic control tower at the Halifax International Airport began in the fall of 1995. Rough grading and installation of water and sewer systems were part of the site preparation. Construction of the tower is scheduled to begin in the spring of 1996.

In the past three years, roughly $25 million has been spent on a major refurbishing at the Halifax International Airport. Retail outlets on the main and departure levels have been added, passenger holding and loading areas on both the north and south ends have been added to accommodate carriers. In addition, a driveway has been widened to three lanes at the front of the terminal building and a tour bus loading area has been created at the north end of the terminal.

Several construction agreements were reached for the Moncton Airport during the year. On May 25, 1995, Transport Canada and the Town of Dieppe signed an agreement for the construction of a new water reservoir and pumping facility at the Airport. Federal funding of $1.36 million for this initiative, representing 87% of the construction costs was provided for this construction. Federal funding of $473,936 was also provided for the contract awarded in November of 1995 to extend the parking apron on the east side of the airport, which connects to the parallel taxiway.

A contract for renovations at the Saint John Airport was awarded in June of 1995 for completion in September, 1995. The renovations included the refurbishing of the heating, ventilation and electrical equipment, as well as interior partitioning installed in 1960, on the building's second floor.

Improvements to the St. Anthony Airport have been announced. The improvements include repairs to the exterior wall system of the air terminal building and additional operational and public space for baggage claim area to alleviate congestion. The work is intended to improve the functional and energy efficiency of the building reducing operating and maintenance costs.

Contracts were awarded for improvements at the Stephenville Airport during 1995. In August of 1995, renovations to part of the air terminal building's roof was completed and in September of 1995 a security-enhancement project was completed which included the replacement of outside locks at the air terminal, combined services, operations and air freight building.

Table 2 shows air passenger statistics for the years 1994 and 1995. The table shows that most regional airports experienced minimal increases in passenger volumes in 1995 as compared to 1994.

Table 2

ATLANTIC REGION AIRPORTS
TOTAL PASSENGERS
ENPLANED AND DEPLANED

	*1995	1994	% Change
Charlottetown	179,800	174,688	1.03
Fredericton	195,800	187,299	1.05
Gander	102,300	97,657	1.05
Halifax	2,408,500	2,258,600	1.07
Moncton	234,900	216,663	1.08
Saint John	191,400	183,058	1.05
St. John's	631,300	✦637,000	-.01

* Estimates based on Transport Canada's official forecast completed in December of 1994.

✦Includes only estimates for Provincial Airlines.

Source: Transport Canada

On March 14, 1996, Transport Minister David Anderson introduced the *Civil Air Navigation Services Commercialization Act* in the House of Commons. The legislation provides the legal means to transfer Canada's Air Navigation System (ANS) from Transport Canada to Nav Canada, a not-for-profit corporation created in late 1995 under Part II of the *Canada Corporations Act*.

Nav Canada will pay the federal government $1.5 billion for the ANS. The new corporation will operate the system as a cost-recoverable not-for-profit entity, pricing its services to recover all costs from users, including any debt servicing costs. The legislation will effect the transfer of ANS assets to Nav Canada and permit the transfer of Transport Canada employees under a separate agreement.

Transport Canada will establish safety regulations and standards that will apply to the new corporation and will monitor its operations to ensure compliance.

The ANS provides air traffic control, flight information services, weather briefings for pilots, airport advisory services and air navigation aids.

Much has been accomplished in the year following the announcement of the National Airports Policy in July of 1994. Details are contained on page 26.

Marine

In December, 1995, the Government of Canada released its *National Marine Policy*. A number of initiatives will be undertaken by the federal government through this new policy. Details are outlined on page 34.

In early 1996, Transport Canada announced that it had developed a proposal which will revise fees for public harbours and port facilities. Under the proposal, harbour dues, berthage, wharfage and storage rates would be increased by varying percentages. The fees would generate an additional $3.5 million in revenues per year which, after the payment of commissions to harbour masters and wharfingers, would result in an additional $3.2 million in net revenues for the department. The new rates were to become effective with April 1, 1996. As of March 31, 1996, the proposed increased had been postponed. According to a Transport Canada official, several representations were made regarding these fees which were being considered. Indications are that the fees could now be in place effective May 1, 1996.

The Halifax Port Corporation announced that they had decided to defer earlier announced tariff increases until further notice due to the uncertainty surrounding the magnitude of the costs shipping lines will be assessed as a result of the Coast Guard's impending cost recovery program. The Saint John Port Corporation announced that there will be no increase in Port Corporation tariffs for 1996. The St. John's Port Corporation on the other hand increased their tariffs by one percent across-the-board for 1996.

Changes in international shipping services involving Atlantic Canada ports were again experienced during the past year. The following identifies some of these changes:

- *EIMSKIP began scheduled sailing to Shelburne, NS, in early 1996. The company has also opened a marketing office in Boston, MA. EIMSKIP vessels now call at Shelburne on the westbound service every 14 days as part of the company's service to Canada's Atlantic coast and Reykjavik, Iceland. This service, which also includes Argentia, NF, will serve both Icelandic import and export firms and the company's customers on the Canadian east coast. United States east coast port destinations include New York, Boston and Norfolk. Seafood is expected to be the major commodity handled through the service.*
- *On December 1, 1995, Hapag-Lloyd re-established Halifax as their "load centre" for New England cargo. Roughly a year ago, Hapag-Lloyd discontinued its Yankee Clipper feeder service in Halifax after 15 years of service in favour of using a barge operation via New York. Hapag-Lloyd is now using SPM Container Line to feed cargo to New England on a weekly basis. This coincides with a realignment of SPM's service to include a weekly call in Portland, ME. The vessel loads in Halifax every Wednesday, discharges and loads in Boston on Fridays, Portland on Saturdays, and discharges in Halifax on Sundays.*
- *In late 1995, Oceanex's LTL Division and Maritime-Ontario Freight Lines Ltd. formed a cargo pool combining their LTL volumes. The partnership gives Oceanex all of the Maritime-Ontario Newfoundland bound LTL traffic. This cargo switches from trucks to Oceanex containers and is co-loaded with cargo from both companies. As well, in a joint venture, the companies expanded Maritime-Ontario's Newfoundland terminals and distribution network. The alliance is expected to take the best strengths of each company and deploy them in a more efficient and beneficial way. Where Oceanex has large dense freight, Maritime-Ontario has top light freight. Oceanex is a linehaul carrier, whereas Mari-*

time-Ontario specializes in pick-up and delivery.

- *To meet rising cargo demands since the introduction of a twice-weekly fixed sailing schedule from Montreal to Newfoundland Oceanex lengthened the MV Cabot this past fall, increasing her cargo capacity by almost 50% to 650 TEU's. In addition to the increased length and cargo capacity, the vessel was also refurbished with a strengthened hull for improved navigation in the winter.*
- *Atlantic Container Line (ACL) altered its schedule on their trans-Atlantic service in late 1995. Direct calls at LeHavre and Rotterdam were omitted and instead cargo destined to these ports were handled through over Antwerp. As a result, Antwerp will handle two direct calls per week, up from one per week previously.*

A major general increase in ocean rates for exports moving from Eastern Canadian ports to the United Kingdom and Continental Europe was announced by the Canadian Atlantic Freight Secretariat as part of their 1996 Business Plan. Specific rate increases for cargo moving via member lines of the Canada-United Kingdom Freight Conference and the Canadian Continental Westbound Freight Conference were as follows:

General Classes:
— $120 per 20 foot container
— $180 per 40 foot container

Special Classes (reefers, tanks, hazardous):
— $180 per 20 foot container
— $280 per 40 foot container

The National Transportation Agency held a hearing on October 18, 1995, of the parties of record as part of its review of the proposed tariff of pilotage charges published by the Atlantic Pilotage Authority in the June 17, 1995, edition of the Canada Gazette, Part I, which met with objections from the Shipping Federation of Canada, the Halifax Dartmouth Port Development Commission, Kent Line Limited, North Atlantic Refining Ltd., and the Halifax Shipping Association. This hearing was part of the process by which the Agency reviewed the pilotage tariff proposal to determine whether or not the proposal is prejudicial to the public interest.

The Authority was proposing tariff increases, to be effective as soon as possible which would increase overall revenue by 8.2% for all compulsory pilotage areas. This amendment will increase costs to users of the affected services by an annual amount of approximately $600,000.

In a decision dated November 9, 1995, the National Transportation Agency made the recommendation that the tariff proposal be implemented as it was not considered to be prejudicial to the public interest. By order date December 13, 1995, the Governor-in-Council approved the new regulations prescribing increases in the tariffs of pilotage charges made by the Atlantic Pilotage Authority.

In late 1995, the Canadian Coast Guard issued a notice that a Marine Services Fee would be levied on the commercial shipping industry for aids to navigation and ice-breaking. Details of this fee are outlined on page 32.

A new transit shed was officially opened on May 26, 1995, at the Transport Canada marine terminal in Summerside, PEI. The shed will be used by potato exporters in shipping their products to markets. The new shed, which replaces two older structures, will allow potato exporters to separate cargoes by size, variety and grower. The facility includes four dock-level unloading areas and a state-of-the-art computerized heating and air exchange system.

Transport Canada also announced on May 24, 1995, that a new wharf would be built at the Sydney Marine Terminal at Sydney, NS. The project which is scheduled for completion by October, 1996, will involve the construction of a 275-metre concrete wharf face 30 metres in front of the existing face. The new wharf will be 36 metres longer than the existing wharf, and be able to accommodate two 125-metre vessels or one larger vessel up to a draft of 12 metres. Funding of $13.9 million for this initiative was provided in the 1995 federal budget.

During 1995, the multi-year Facilities Development Program at the Port of Saint John was in full swing. Investments of $1.4 million were allocated in 1995 in a number of projects including repairs to the concrete berth faces in the main terminal, protective measures to combat signs of decay on some of the steel dock pilings at the potash terminal dock at Barrack Point. Other ongoing facility repairs included $385,000 for floor resurfacing work at the Navy Island Forest Products Terminal sheds, levelling of crane rails at the Rodney Container Terminal, and resurfacing of open storage areas.

Construction of the mixed cargo terminal began and was ongoing at the Port of Belledune as was announced in last year's report on page 21.

Port Hawkesbury recorded the biggest increase in cargo among the top 10 Canadian ports between January and September, 1995, as compared to the same period in 1994. Total shipments in Port Hawkesbury doubled to 8.4 million tonnes which is mainly crude petroleum labelled as transshipments or foreign cargo handled en route to or from a third country.

A statistical summary of traffic handled at Ports Canada ports in the Atlantic Provinces is provided in *Table 3*. With the exception of the Port of Belledune, which saw yet another exceptional increase of 41.80% in the amount of cargo handled due to the large volume of coal shipments destined to the nearby NB Power generating plant, the Ports Canada ports in the region all experienced overall cargo tonnage decreases primarily due to reductions in handling of bulk commodities such as petroleum products and crude oil. The Port of Saint John had an overall tonnage decrease of 11.05%. The Port of Halifax reflected a decrease of 7.59% overall; on the other hand, container cargo was up some 22.23% which was largely due to the new Sarnia-Port Huron tunnel into the US Midwest. The Port of St. John's recorded an 8.1% decrease in the total volume of cargo handled which was attributed to the continued weakness in the economy.

Table 3

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

Calendar Year	Saint John	Halifax	St. John's	Belledune	Total
			ALL CARGO		
1995	18,809,599	13,020,786	866,191	1,575,307	34,271,883
1994	21,145,403	14,090,021	942,397#	1,110,956	37,288,777
Variance	- 2,335,804	- 1,069,235	- 76,206	464,351	- 3,016,894
% Change	- 11.05	- 7.59	- 8.09	41.80	- 8.09
			GENERAL OTHER CARGO*		
1995	952,973	410,430	97,463	—	1,460,866
1994	796,756	344,121	118,977#	—	1,259,854
Variance	156,217	66,309	- 21,514	—	201,012
% Change	19.61	19.27	- 18.08	—	15.96
			CONTAINER CARGO		
1995	200,837	3,134,781	334,869	—	3,670,487
1994	193,040	2,564,685	355,868#	—	3,113,593
Variance	7,797	570,096	- 20,999	—	556,894
% Change	4.04	22.23	- 5.90	—	17.89

* Excludes bulk cargo
\# Revised Totals

Source: Canada Ports Corporation

Ferries

Table 5 illustrates ferry operating statistics for the major ferry operations in Atlantic Canada. Commercial traffic decreased on all Marine Atlantic services with the exceptions of North Sydney to Port-aux-Basques and Saint John to Digby routes which increased slightly. All commercial traffic was down compared to impressive gains last year. Also, down were the three independent services traditionally reported on.

An amendment was made to the Dangerous Goods Shipping Regulations of the *Canada Shipping Act* affecting marine carriers like Marine Atlantic. The new regulations require transport units to be placarded with the marine pollutant placard if the dangerous goods being transported have been identified as marine pollutants in the International Maritime Dangerous Goods Code. This is consistent with the requirements of the Transportation of Dangerous Goods Act and Regulations.

As a result of Transport Canada's ongoing review of its operations, it ordered Marine Atlantic to produce a report which would set out a plan to "commercialize" its services. Marine Atlantic identified, in the past year, three service initiatives that it hopes will meet that requirement. These were to change the Yarmouth to Bar Harbour run to seasonal service, transfer the Newfoundland South Coast ferry service to the Province of Newfoundland and Labrador and, thirdly, retire the *MV Taverner* which provided service to Labrador communities from Lewisporte. At the same time, Marine Atlantic announced that the *MV Northern Ranger* which served the same function would now operate out of St. Anthony in order to reduce cycle times. For more information see page 36.

New reservation systems came into effect this year on various Marine Atlantic routes. As of December 1, 1995, Marine Atlantic no longer sold books of tickets for the Prince Edward Island service. Ticketing of commercial vehicles is now handled as in other Marine Atlantic services with payment made through a Marine Atlantic Customer Account, with a credit card, or by cash.

For carriers moving high-priority loads on the North Sydney to Port-aux-Basques route, it is now possible to reserve commercial vehicle space at a premium rate. These reservations are available on a limited basis and may be booked from three months to twenty-four hours prior to a sailing. The premium rate will be double the regular rate (e.g., 65-foot tractor trailer regular rate $273.00, premium rate for reservation service is $546.00). One-half of the premium rate must be paid at time of booking and is non-refundable except in the event of a cancelled sailing.

On January 1, 1996, both the Saint John to Digby and Yarmouth to Bar Harbour services now accept commercial vehicle reservations up to three months in advance of a sailing. Reservations must be guaranteed through a Marine Atlantic charge account or credit card, with cancellations of reservations made less than 6 hours prior to sailing subject to a penalty charge of $100.00.

Also effective January 1, 1996, were several rate increases for commercial traffic, as shown in *Table 4*:

Table 4

MARINE ATLANTIC RATE INCREASES FOR COMMERCIAL TRAFFIC

Service	Vessel	% Increase
Newfoundland Gulf	Port aux Basques	3.8
	Argentia	3.0
Bay of Fundy	Princess of Acadia	9.2
	Bluenose	9.4
Prince Edward Island		7.5

Source: Marine Atlantic Inc.

In addition to the above increases, jockey rebates in the Newfoundland Gulf services and volume rebates in the Bay of Fundy services were reduced by 50%.

In October, 1995, Transport Canada announced a commitment to fund the crossing between Wood Islands, PEI, and Caribou, NS, operated by Northumberland Ferries Ltd., until March 31, 2000. The announcement has given Northumberland Ferries Ltd. time to prepare for the expected competition brought on by the completion of the Fixed Link in June of 1997. Even with this commitment, service changes are anticipated because the federal government continues to reduce the annual operating subsidy given to the company.

Table 5

ATLANTIC CANADA FERRY OPERATING STATISTICS

Service	Year	Trips	Passengers		Automobiles & Pick-Up Trucks		Trucks & Tractor Trailers	
MARINE ATLANTIC SERVICE								
Cape Tormentine -	1995	14,272	1,917,008	5.3%	675,406	5.9%	177,775	- 5.3%
Borden	1994	14,661	1,820,332		638,017		187,800	
North Sydney -	1995	1,621	377,587	1.0%	105,357	0.9%	65,669	2.0%
Port aux Basques	1994	1,626	373,933		104,444		64,360	
North Sydney -	1995	62	36,607	- 6.7%	10,391	- 4.5%	232	- 28.8%
Argentia*	1994	62	39,223		10,875		326	
Yarmouth -	1995	372	119,813	7.0%	29,774	2.5%	2,888	- 7.6%
Bar Harbour	1994	386	111,952		29,045		3,124	
Saint John -	1995	1,473	207,419	- 0.5%	55,536	0.0%	23,502	1.4%
Digby	1994	1,478	208,450		55,534		23,171	
NORTHUMBERLAND FERRIES LIMITED								
Wood Island -	1995	5,189	#278,579	- 2.1%	186,916	0.6%	26,780	- 3.2%
Caribou ✦	1994	5,277	#284,443		185,753		27,678	
PRINCE OF FUNDY CRUISES LIMITED								
Yarmouth -	1995	310	149,698	2.0%	24,768	- 4.3%	629	- 9.5%
Portland■	1994	308	146,767		25,877		695	
PUDDISTER TRADING COMPANY LIMITED								
St. Barbe -	1995	848	37,323	- 6.7%	13,020	- 5.0%	1,829	- 12.9%
Blanc Sablon✚	1994	830	40,004		13,704		2,099	

* 1995 operated June 16 to September 30
1994 operated June 18 to October 1

✦ 1995 operated May 5 to December 18
1994 operated April 29 to December 20

■ 1995 operated May 4 to October 22
1994 operated May 5 to October 23

✚ 1995 operated May 23 to January 3/96
1994 operated May 21 to January 3/95

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

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

NATIONAL AIRPORTS POLICY

The *1994-95 Transportation Review and Annual Report* outlined the National Airports Policy released by Transport Canada in mid-1994. During the year in review, a number of airport communities entered into the transfer negotiation process with the federal government to obtain local control of their airport. The process officially begins by signing a Letter of Intent between the local airport authority and the federal government. To date, the following Atlantic Region airport authorities have signed Letters of Intent: Halifax, Moncton, Charlo, Sydney and St. Leonard.

In March, 1996, the Charlo Airport was officially transferred from the federal government to the Charlo Airport Commission. In addition to the transfer of ownership, Transport Canada will provide a financial contribution of $2.2 million in lieu of the annual operating subsidy the Charlo Airport Commission would have been eligible to receive up to the year 2000, had the department retained ownership of the airport.

Many of the region's communities look forward to the opportunity to have control and/or ownership of their airport as an outcome of the National Airports Policy. Airports are looked at by many communities as a major driver for the economic development of their area. Having control of the airport facilities will allow these communities to develop these facilities as they see fit — for the greatest benefit of their local economy. Communities will no longer will be reliant upon Transport Canada to determine when and how expansions and enhancements to facilities will be carried out. However, before these communities can enjoy the benefits of ownership and/or control they face a number of very expensive and time consuming obstacles. A great deal of legal and financial resources are required to review and evaluate the feasibility of a local authority accepting the financial obligations associated with the control of the facility. Banks and insurance companies demand that numerous studies be completed before financing and coverage can be obtained.

In January, 1996, the APTC surveyed airport authorities and transfer committees throughout the Atlantic Region requesting an expression of interest in co-ordination among the region's airports to deal effectively with common issues associated with local airport authorities and their transfer negotiations with Transport Canada. Response to date has been limited.

Commercialized airports will be required to deal with the challenge of raising revenues to cover the costs of operating the facilities. Passenger facilitation charges (PFC's) are seen as the most viable recourse for many airports. The PFC is a tax paid by each outbound passenger from the airport. In some airports, the PFC will be used to fund capital projects such as terminal expansion (as is currently the case in the Vancouver Airport). In other cases, the tax will be used to meet shortfalls in revenues needed to cover operating expenses. Individual airports will have to deal carefully with this issue as competitive factors must be considered. Charges cannot be levied to such an extent that passengers will be enticed to travel to other airports to access flights to their destination because of lower fares.

The competitive element of commercialized airports is particularly acute in New Brunswick which has a total of seven airports providing service for scheduled air carriers. These airports will face extreme challenges to remain viable or attain viability under a commercialized structure. Many see it as extremely unlikely that all airports will survive the competitive forces placed upon them.

The federal government introduced the *Civil Air Navigation Services Commercialization Act* in the House of Commons in mid-March, 1996. The legislation provides the legal means to transfer Canada's air navigation (ANS) from Transport Canada to Nav Canada a not-for-profit corporation which will pay the federal government $1.5 billion for the ANS. The new corporation will operate the system as a cost-recoverable not-for-profit entity. The ANS allows the safe and efficient movement of aircraft from origin to destination. It does this by providing air traffic control in domestic and international airspace, flight information services, airport advisory services and air navigation aids. The transfer of the ANS could take place as early as mid-1996.

RAILWAY LEGISLATION

Canada Transportation Act

The federal government introduced Bill C-101, the *Canada Transportation Act*, which is intended to modernize and streamline the transportation regulatory framework governing railways in Canada. The Bill received first reading in the House of Commons on June 20, 1995, and was referred to the House of Commons Standing Committee on Transport (SCOT) which called for submissions regarding the new Act.

In August of 1995, the APTC presented its submission to the House of Commons Standing Committee on Transport regarding Bill C-101 and on November 7, 1995, appeared before the Committee during hearings held in Ottawa. Subsequently, in late 1995, SCOT released its report concerning this Bill.

A Bill C-101 provision of major concern to the APTC was the abandonment sections which were viewed as allowing what amounts to a unilateral determination by the railways (CN and CP) of Canada's essential rail network through the network plan. The SCOT report ignored the APTC recommendation that the abandonment provisions of Bill C-101 include an overriding provision for the development and implementation of an essential national rail network policy by the federal government. Such a policy would clearly identify essential lines and place them outside of the abandonment provisions of the legislation, as well as maintaining their essential status in the event of a transfer of the line to another railway.

While the abandonment provisions of Bill C-101 remained essentially unchanged by the SCOT report, the Committee did agree with the APTC recommendation that no action be taken to discontinue the operation of a line until the line had been appropriately listed in the network plan for 60 days.

Another issue of concern to the APTC is the inclusion of a prejudice test for shippers' application for relief in respect to service or rates as is contemplated in Section 27 (2) of the Bill. This section requires that any application by the shipper for relief through the competitive access provisions of the Act will have to pass a determination by the Agency that the shipper will suffer significant prejudice before it can proceed. The term "significant prejudice" is an ambiguous term, without definition or guidelines. The SCOT report recommended that the term "significant prejudice" be replaced by "substantial commercial harm". While the change in terms does little to reduce the ambiguity, the report does provide further guidelines on the matter:

The circumstances to be considered by the Agency in making its decision under subsection (2) must include, but are not limited to, the following:

(a) the market or market conditions relating to the goods involved;

(b) the location and volume of traffic of the goods;

(c) the scale of operation connected with the traffic;

(d) the type of traffic or service involved;

(e) the availability to the applicant of alternative means of transporting the goods; and,

(f) any other matters that appear to the Agency to be relevant.

The APTC also took exception to Section 34 which would give authority to the National Transportation Agency to determine whether an application, complaint, intervention or objection filed with the Agency was frivolous or vexatious and order for the payment of compensation of any loss or delay resulting from the proceedings. The APTC stated that the term was ambiguous and will further weaken shippers' rights and protection. The SCOT report deleted this section of Bill C-101 in its entirety.

The APTC noted in its submission that Section 113, which states that all rates or conditions of service must be commercially fair and reasonable, is an unnecessary form of rate and service regulation which is contrary to the intent of the legislation. The APTC recommended that the section be deleted in its entirety. SCOT did not recommend any changes to this section.

The SCOT report did not recommend any changes to the running rights provision of Bill C-101. The APTC had expressed concern over a proposal presented by some interested parties to mandate extended running rights by other rail carriers over the lines of federally-regulated mainline railways.

The SCOT report did not comment on the issue of limits of liability. The APTC had noted that, contrary to the existing legislation, Bill C-101 contains no limits of liability with respect to the carriage of goods by rail. The Commission recommended that Section 153, NTA, 1987, be brought forward into Bill C-101 with the added proviso that present regulations issued by the Agency continue with full force and effect.

Bill C-101 was awaiting second reading in the House of Commons when Parliament prorogued. The *Canada Transportation Act* was reinstated in the new session of Parliament as Bill C-14. The Bill was in the same form as Bill C-101 was at the time of prorogation of the first session of the 35th legislature. The Bill has been studied by the Standing Committee on Transport and updated with amendments.

Third reading of Bill C-14 occurred on March 26, 1996, in the House of Commons which was divided on the motion. Bill C-14, as passed by the House of Commons, reflects the amendments recommended by the SCOT report as outlined above. In addition to the SCOT recommendations, the liability provisions found under Section 153 of the NTA, 1987, were carried forward to the new Act. Upon passage, the Bill was referred to the Senate.

The Bill was read for the first time in the Senate on March 27, 1996. On March 28, 1996, the Bill was read a second time and referred to the Standing Senate Committee on Transport and Communications. As of March 31, 1996, the Bill was awaiting the Committee's report and third reading in the Senate.

NTA Consultations on Proposed Rail Regulations

Bill C-14, the *Canada Transportation Act* (CTA), will continue the National Transportation Agency as the Canadian Transportation Agency and will consolidate and revise both the *National Transportation Act, 1987*, and the *Railway Act*. The CTA will significantly reduce the Agency's role in rail regulation. Prior to the enactment of this new Act, the number of rail regulations governed by the *National Transportation Act, 1987*, and the *Railway Act* stood at 27. Upon enactment of the new Act these will be reduced to five as follows:

(1) Railway Third Party Liability Insurance Coverage Regulations

(2) Railway Traffic and Passenger Tariff Regulations

(3) Railway Interswitching Regulations

(4) Railway Traffic Liability Regulations

(5) Railway Costing Regulations

For these new regulations to be in place at the time the *Canada Transportation Act* is enacted, the Agency felt that it was necessary to have preliminary informal consultations with stakeholders.

Changes to numbers 4 and 5 of the above mentioned regulations will constitute minor housekeeping changes which will be dealt with after the CTA is enacted through a miscellaneous regulations amendment project.

On February 28, 1996, the National Transportation Agency announced that it would carry out informal consultations with stakeholders concerning the following:

Railway Third Party Liability Insurance Coverage Regulations - These new Regulations prescribe the Agency's determination of adequate third party liability insurance required by any person wishing to apply for an Agency certificate of fitness to construct or operate a railway.

Railway Traffic and Passenger Tariff Regulations - These regulations are an amalgamation of the present Railway Freight Tariff Regulations and Railway Passenger Tariff Regulations that appear in the Railway Passenger Tariff Order. The freight tariff regulations and the passenger order presently prescribe the form and manner of the publishing and filing of tariffs and confidential contracts. As Bill C-14 removes the requirement for any tariff or confidential contract filing with the Agency, the proposed regulations prescribe only the information to be included in the tariffs.

Railway Interswitching Regulations - The current interswitching regulations have been amended to incorporate a new CTA provision, subsection 129(4), which states, for greater certainty, that the transfer of a railway line, or an operating interest in it, under Division V of the CTA or Section 158, NTA, 1987, does not affect any entitlement to an interswitching rate.

Furthermore, amendments to Section 9 of the interswitching regulations moved the rate per kilometre from the body of the regulation to the interswitching schedule attached to the regulation. Also, Section 10 has been removed. This section of the interswitching regulations defines the interswitching rate used in the Agency calculation for a competitive line rate as the Zone 4 rate. However, subsection 134(1) of the CTA, the competitive line rate section, is worded as such to make this section unnecessary.

Agency General Rules - The Agency General Rules are to be amended to give effect to Bill C-14.

Agency presentations on these regulations were held across Canada in March, specifically in Halifax on March 21, 1996. Stakeholders were invited to express their comments either at the presentations or in writing by March 30, 1996.

CN Commercialization

Following the release of the report of the Task Force on CN Commercialization (as reported in last year's report on page 27), the federal government introduced legislation that paved the way for privatization of Canadian National Railways through a public share offering for the fall of 1995. Bill C-89, the Act that provided for the continuance of the Canadian National Railway Company under the Canada Business Corporations Act and for the issuance and sale of shares of the company to the public, received Royal Assent on July 13, 1995.

The APTC supported the privatization of CN, but, subject to concurrent reforms of the regulation and taxation structure, along with the implementation of additional cost-cutting measures to reduce labour, management and other overhead costs. The APTC has stressed the ongoing need for cost-effective and competitive rail transportation in Atlantic Canada.

The APTC also sought measures to ensure that rail service connecting Atlantic Canada, including the Ports of Halifax and Saint John, with Canada and the Continent will not be lost through abandonment. In a submission to the Standing Committee on Transport dealing with Bill C-89, the APTC urged the Committee to recommend the establishment of an essential network which would ensure the preservation of rail service to Atlantic Canada.

With the imminent privatization of CN and a potentially short period of transition for the railway to achieve commercial viability, the APTC sent a letter to Prime Minister Chrétien reiterating its longstanding view that an essential rail network policy should be developed immediately in consultation with all stakeholders, including shippers and provincial governments. Federal Transport Minister Douglas Young responded to the letter noting:

Therefore, the configuration of the national rail network will be determined in accordance with the demands of the marketplace while at the same time providing opportunities for the transfer of the lines to provincial governments to achieve socially or regionally oriented goals.

Based on Mr. Young's statement, it is clear that the federal government feels that any essential rail network policy and associated costs should be born by the provincial governments. The federal government is looking to market forces and the provincial governments to shape the national rail network in the future.

On November 16, 1995, Transport Minister Doug Young and Finance Minister Paul Martin announced the government's sale of Canadian National common shares. The government announced that it would sell 76,200,000 of its shares in CN in Canada, the United States and offshore through three underwriting syndicates. The total value of the offering, if the over-allotment is fully exercised, would be approximately $2.3 billion, making this the largest initial public offering in Canadian history.

On November 28, 1995, Ministers Young and Martin announced the closing of the public offering of the government's CN shares. The closing took place in Montreal and resulted in the sale of 100% of the government's equity in CN.

While the autumn, 1995, privatization of CN solved the government's problem, it did little to address the pressing problem of over-capacity in the Eastern Canadian railways operations. Competition from trucks and a heavy tax burden are responsible for substantial losses. Informal talks between CN and CP Rail on the possibilities of rationalizing Canada's eastern railway network were held with the possibility of more formal discussions this spring.

CN's chief executive, Paul Tellier, has made it clear that reductions can be expected in many corners of the newly privatized company —

from work force to route structure to specific segments such as intermodal, where every corner of the operation will be scrutinized to improve profitability. Mr. Tellier was quoted as saying that he hopes CN will be able to reduce its ratio of expense to revenue, known as operating ratio, from 89.3% in 1995 to 82% by 1999. Their goal for 1996 is 85.6%.

As part of its drive to cut costs and improve efficiency, CN's main target has been labour. In early 1996, the newly privatized Canadian National Railways, consolidated three locomotive shops that had been operating at 45% capacity. Toronto became a central maintenance shop, while Moncton and Montreal were relegated to servicing sites. This resulted in the loss of 202 jobs. CN also streamlined its management structure in Western Canada resulting in the elimination of several positions. Plans for 1996 include a 1,500 employee cut in it's workforce as well as a reduction of 11% in it's route system, representing 2,000 miles of track which are to be sold or abandoned. Fifty percent of these route cutbacks are expected to come east of Winnipeg.

ATLANTIC REGION FREIGHT ASSISTANCE

MFRA/ARFAA Program

The transportation subsidies under the *Maritime Freight Rates Act* (MFRA) and the *Atlantic Region Freight Assistance Act* (ARFAA) were terminated on July 1, 1995, as part of the federal budget of February, 1995.

The program termination brought with it transitional funding by the federal government in the amount of $326 million to meet shippers' adjustment needs and to provide for improved infrastructure. The transitional funding, to be paid over a six-year period, is to be administered by each of the participating provinces with total payments by province shown in *Table 6*:

Table 6

TRANSITIONAL FUNDING

Province	Millions of Dollars
New Brunswick	121
Newfoundland	21
Nova Scotia	85
Prince Edward Island	21
Quebec	78
Total	326

Assistance to shippers is funded at a rate of 100% by the federal government and upgrading highways and transportation infrastructure will be cost shared on a 50% federal and 50% provincial basis.

In the case of New Brunswick, the decision has been made to use all of the funds for highway upgrading. None of the federal funding has been earmarked to assist New Brunswick shippers, although the province has indicated that there may be cases when the government can assist industry through the Department of Economic Development and Tourism's existing programming. In the case of Quebec, 75% of the funding will be invested in transportation infrastructure (various highways and bridges south and east of Levis) with 25% of the funds to go towards alleviating shippers hardship and other efficiency measures.

The Nova Scotia Economic Renewal Agency announced the *Shipper Assistance Program* designed to assist companies that previously benefited from lower shipping costs through the subsidy program. The purpose of the program is to encourage Nova Scotia companies to enhance their competitive position by paying some of the costs of new projects that develop out-of-region market opportunities. To be eligible for assistance, the company must be registered and/or located in Nova Scotia and have received the benefit of the freight transportation assistance for at least one year up to June 30, 1995.

In Newfoundland, the first year allocation of the transition funds have been earmarked for highway construction. The province is working on a plan to assist shippers through the subsequent years of transition funding. Prince Edward Island is also working on a plan to provide assistance to primary industries affected by the termination of the subsidy program.

In October, 1995, the APTC distributed a survey to 1,397 shippers, producers, manufacturers and distributors throughout the Atlantic Region in an effort to determine the degree of impact the termination of the subsidy program has had on the beneficiaries of the program. Many companies indicated, directly or indirectly, that they were having difficulty determining the impact of the subsidy program termination on their business. Many companies indicated that they were experiencing increases in transportation costs. The survey indicated that companies are not, nor do they expect to, pass on the freight rate increases to their customers.

General comments from shippers varied significantly. Approximately one-third of the respondents provided general comments that identified significant negative impact from the loss of the program. Another one-third indicated they were experiencing some impact. Of these, many felt the program should have been phased out over a number of years to help them adjust to the change. The final third expressed no concern over the loss of the program.

The survey results provided, in general terms, a sample of Atlantic Provinces' shipper views on the termination of the subsidy program. However, shippers appear to be experiencing difficulty in quantifying the impact. For some, it is too early to know. For others, the program is history and no longer an issue.

Feed Freight Assistance Program

Regarding the Feed Freight Assistance Act, the *1994-95 Transportation Review and Annual Report* noted that the February, 1995, federal budget announced the termination of the Feed Freight Assistance Program (FFA). The budget specified that transitional funding would be provided over the next ten years.

Agreement was reached to accept a FFA Task Force Formula for dividing $72 million in transitional funding to help producers affected by the loss of the FFA transportation subsidy. The federal government will also accelerate the payment schedule of the adjustment package and has asked the task force to look specifically at measures that could help producers over the long term.

The Atlantic Provinces' share of the adjustment fund allocation, totalling 56.0%, is as follows: Newfoundland 14.4%; Prince Edward Island 11.4%; Nova Scotia 16.2%; and New Brunswick 14.0%.

The government, based on the recommendation of the FFA Task Force, is prepared to accelerate the payment schedule of the adjustment package such that payments are spread over five years rather than ten years, with as much as 60% of the total being expended in the first two years. The acceleration of the schedule will increase the net present value of the package, and producers will have a greater degree of control and more ability to plan an appropriate and timely adjustment strategy.

MOTOR VEHICLE WEIGHTS AND DIMENSIONS

The Eastern Provinces Task Force on Vehicle Weights and Dimensions, which was established under the auspices of the Transportation Association of Canada in late 1993 to pursue harmonization of vehicle weights and dimensions regulations, reached a final proposal which was presented as a *Memorandum of Understanding* (MOU) to the Canadian Council of Motor Transport Administrators (CCMTA) meeting in Victoria, BC, in October, 1995. While the Deputy Ministers voted unanimously to accept the proposal, the Transport Ministers hesitated, mainly due to Ontario Transport Minister Palladini's refusal to sign. The Ontario Minister had been urged by the Ontario Trucking Association not to sign the deal. While most observers predict the Memorandum will be eventually signed, no agreement is expected to be reached before April, 1996.

Opponents to the Task Force proposal include carriers and shippers. Carriers fear the early obsolescence of their equipment and shippers oppose the reduced payload permitted under the proposal. The Atlantic Provinces Trucking Association (APTA) has been very vocal in opposing the reduced payload allowed under the proposal estimating a 10% to 12% decline in payload levels. The provincial governments see it as a way of extending pavement and bridge life and enhancing equipment stability. Harmonized regulations would lead to reduced interprovincial barriers, assist manufacturers in building equipment acceptable in all jurisdictions, improve compliance by carriers and shippers and, simplify enforcement by governments. The APTC supports the need for harmonized vehicle weights and dimensions in Canada and urges provincial Transport Ministers to resolve this longstanding issue.

NEWFOUNDLAND MONITORING PROJECT

In January, 1996, the APTC completed the sixth annual report under an agreement with the Government of Newfoundland and Labrador to monitor changes in transportation service levels and costs and evaluate the impact of the termination of the operation of the Newfoundland railway. Extensive interviews of shippers and carriers, as well as monitoring of transportation activity to and from the island, form the basis of the report.

The latest of this series of reports indicates that Newfoundland's shippers are once again generally satisfied with the transportation service being provided by carriers. While freight rates have remained stable over the past several years, the last two reports indicate that shippers were beginning to experience some upward pressure on freight rates in 1994 and 1995. The impact of the termination of rail operations has significantly decreased as time has passed and several other factors such as transportation regulatory reform, the ongoing problems in the fishing industry, the abolition of the Atlantic Region Freight Assistance program and current economic conditions are of more immediate concern. While the total volume of inbound general freight has declined slightly over the past six years, the market share of both the marine and motor carrier industries continues to rise, while CN's share of the total traffic continues to decline.

One concern which did arise in the latest report is that, should CN disappear from the Newfoundland marketplace, will the benefit of low competitive rates still exist? At present, water rates from Central Canada via marine carriers are slightly lower than rail rates, while truck rates are the highest. The effect on freight rates, particularly the marine rates, is of concern if CN exits the marketplace. Will the marine rates increase to fill the gap between the current truck and marine rates or will they continue to take advantage of their lower cost structure to increase market share? A privatized CN, which interestingly, has entered into an agreement to sell its Roadcruiser service, is likely to exit Newfoundland to seek better market opportunities and the effect on shipper's freight costs should be monitored.

CANADIAN COAST GUARD MARINE SERVICES FEE

The Canadian Coast Guard gave notice in October, 1995, of its intention to levy a marine services fee on commercial shipping to help pay for the cost of aids to navigation and ice-breaking. Cost recovery of dredging, marine safety programs, communications, and search and rescue were not part of the proposals, as these are being dealt with separately. The proposed marine services fee is intended to generate revenues of $20 million in 1996-97, $40 million in 1997-98 and 1998-99, and $60 million in 1999-2000.

Following release of the initial proposal and discussion paper, the Coast Guard indicated that public consultations would take place during the month of November. Upon completion of these consultations, a decision would be made on the fee structure and publication in the Canada Gazette would proceed with a target implementation date of April 1, 1996. The initial proposal met with a storm of protest from the Atlantic Region and across the country. The APTC and others urged the federal government to extend the public consultation process beyond the December 1 deadline to ensure that all interested parties were informed and had the opportunity to provide comments and also to ensure that a fair and workable fee structure would result. Subsequently, the consultation phase was extended.

The initial proposal outlined three broad charging options: (1) an ad valorem tax on the value of the cargo; (2) an omnibus fee; and, (3) service specific fees for navigation aids and for ice-breaking. Four different charging structures were proposed for the latter two options, including: (1) a fee per tonne; (2) a fee per tonne differentiated by cargo type; (3) a tonne/mile rate; and, (4) a rate per gross registered ton of the vessel.

The initial response of the APTC was that any cost recovery proposals required careful implementation to ensure that the ability of Canadian exporters to compete effectively on world markets was not hindered. Also, there should be a commitment towards cost reductions and incentives to control cost built into the fee structure. The proposed implementation date of April 1, 1996, was premature if proper consultation and an impact analysis were to be undertaken. The APTC was also concerned that these proposals were developed by the Coast Guard in conjunction with the Marine Advisory Board which lacked representation from Atlantic Canada.

The Halifax Gateway Council and the Saint John Gateway Council expressed similar concerns and pointed out that a national fee failed to recognize significant regional differences in the nature and type of service provided by the Coast Guard and also failed to recognize the different levels of service required by the marine community in various regions.

Following release of the proposals, the APTC organized a meeting of interested parties in Atlantic Canada. The purpose of the meeting was to ensure awareness of the proposals, to discuss the implications of these new fees and a method of response. The meeting was held in Moncton in November, 1995, with a large attendance from all four Atlantic Provinces, including representation from shippers, provincial governments, ports and marine operators. At that meeting, it became clear that, while there was an acknowledgement of the principle of cost recovery by the federal government, there was a lack of regional consensus on how to deal with this matter and on an appropriate charging mechanism.

In a submission to the Minister of Fisheries and Oceans, the Honourable Brian Tobin, on December 20, 1995, the APTC made the following points:

- *the APTC generally is supportive of the federal government's initiatives to reduce costs and improve efficiency in the provision of marine services and facilities;*
- *Any program of cost recovery must not hinder the ability of Atlantic Provinces' exporters to effectively compete on world markets or the competitiveness of Atlantic Canadian ports as gateways for Canadian exports and imports;*
- *fair and equitable implementation of user fees requires that all users bear their share;*
- *users must have the opportunity for meaningful and ongoing input into the levels of service and fee structure. User pay must have corresponding user say.*
- *the impact of cost recovery measures on regional economic activity should be examined and understood prior to the implementation of fees;*
- *an effective consultation process with Atlantic Provinces' users and marine interests must be undertaken; and,*
- *a representative of Atlantic Provinces' manufacturers and producers must be appointed to the Marine Advisory Board at the earliest date.*

A large number of submissions on this matter went forward from concerned parties in Atlantic Canada to both the Minister and the Coast Guard.

On January 5, 1996, the Coast Guard announced in a press release a number of so-called "basic principles of a marine user fee" and also released a consultant's report which concluded that the impact of the proposed fee could be absorbed by the commercial shipping industry. The basic principles developed by the Marine Advisory Board, without input from the Atlantic Region, included: separate fees for aids to navigation and for ice-breaking; separate fee structures for the West Coast and Eastern Canada; incentives for environmental practices such as double-hulling and upgraded navigational systems on vessels; the fee will be charged to the ship; and caps on ferry operators and coasting trade vessels required to make frequent port calls.

These proposals again met with a storm of protest across Canada, particularly from Atlantic Canada, and Quebec and Ontario interests. The Nova Scotia Ministers of Transportation and Economic Renewal organized a meeting of concerned Nova Scotian's in Halifax on January 24, 1996. There was a large attendance from across the province and strong objections were raised, particularly with the proposal to charge based on the size of the vessel and on the lack of consultation with Nova Scotia and Atlantic Canadian interests. Following this meeting, strong letters of protest were forwarded to the new Minister of Fisheries and Oceans, the Honourable Fred Mifflin, from the Nova Scotia government and many other Atlantic Region firms, trade associations, ports, marine operators and others, including the APTC. As a result, the Coast Guard began in early February a series of meetings in this region to discuss proposals for a marine services fee.

Due to the short advance notice from the Coast Guard of the meetings and apparent shortcomings in the Coast Guard's list of interested parties, the APTC quickly established a list of over 70 interested firms, organizations and interested parties within the region and began circulating notices of meetings, details of new proposals and commentary on the discussions. This service was very well received throughout the region. However, as no consensus developed within the region on an appropriate charging mechanism for marine services, the APTC refrained from commenting upon the merits of any of the specific proposals.

In March, 1996, the Coast Guard released another discussion paper containing a new set of proposals which suggested three regions in Canada for the allocation of costs and collection of fees: Western Canada, East-Inland (Great Lakes-St. Lawrence), and the Atlantic Region. Various different fee structures were proposed for each region and a new target implementation date of June 1, 1996, was suggested. Coast Guard Commissioner, Mr. John Thomas, also made several additional announcements at that time including: modifications to the membership of the Marine Advisory Board to ensure representation from all regions of Canada; the House of Commons Standing Committee on Fisheries and Oceans would commence hearings on this issue; two impact studies would be undertaken, one a socio-economic impact analysis of the navigation fee and the ice-breaking fee structures and, two, a review of the cumulative impact of cost recovery and cost-cutting measures on the marine sector, including the marine services fee, the pollution response fee, dredging, port privatization, Seaway privatization, and pilotage. Mr. Thomas also indicated consultations would continue.

At the year end covered by this report (March 31, 1996), no acceptable charging mechanism had been arrived at, consultations with the Coast Guard and hearings of the Standing Committee on Fisheries and Oceans were continuing and further proposals were anticipated. As no Atlantic Region consensus had been achieved on this issue, the APTC continued its role of ensuring that interested parties within the region were quickly informed of all the latest developments.

While this issue was difficult for the APTC to deal with because of the lack of regional consensus, several of our early objectives were achieved. These included the commencement of a consultation process; Atlantic Region representation on the Marine Advisory Board; an impact analysis of the effect of the marine services fees economic activity in the region; and an extension of the implementation date.

NATIONAL MARINE POLICY

In September, 1994, then Transport Minister Doug Young released a Discussion Paper, entitled *Transportation Transition Plans*. The paper outlined problems facing transportation in Canada, the department's vision of the future of transportation in Canada and the directions open to Transport Canada to achieve these visions.

Consultations ensued with the culmination of an announcement in January, 1995, that the Standing Committee on Transport (SCOT) would embark on a comprehensive review of Canadian marine policy (see *1994-95 Transportation Review and Annual Report*, page 24).

The report, published in May of 1995, recommended the creation of a new *National Marine Transportation Act* which would: eliminate the Canada Ports Corporation; create a new single port structure based on commercial viability; eliminate the four Pilotage Authorities, commercialize pilotage services; and, establish a financially self-sufficient "not for profit corporation" to operate the St. Lawrence Seaway.

In October, 1995, the federal Ministers of Transportation and Fisheries responded to the major recommendations of the SCOT report. Then in December, 1995, Transport Minister Doug Young announced the government's new National Marine Policy. The Policy statement is summarized below:

Canada Marine Act

The *Canada Marine Act* is expected to be introduced in the House of Commons early in 1996 (this had not been done as of March 31, 1996). The purpose of the legislation will be to consolidate and modernize the marine management and regulatory regime.

Commercialization of Public Ports

Transport Canada reports that Canada's port system is heavily subsidized by Canadian taxpayers and suffers from overcapacity and too much bureaucracy. Eighty percent of public port traffic passes through only 40 of the 572 sites that are the responsibility of the Minister of Transport.

To address this problem, Transport Canada will commercialize public ports. There will be three port categories — National, Regional/Local and Remote.

A National Ports System will be managed by Canada Port Authorities (CPA's) made up of representatives nominated by user groups and various levels of government. Canada Ports Corporation, which currently oversees most of these ports, will be phased-out. The CPA's are intended to instill commercial discipline in Canada's major ports and pave the way for efficiency gains necessary for ports and their users to remain competitive in the global economy. Government funding will not be available for CPA's. Atlantic Provinces ports under the National Ports System are St. John's, Halifax and Saint John.

Regional/Local ports will be transferred, with federal help through a $125-million Port Assistance Fund, to provincial governments, municipal authorities, community organizations, private interests and other groups over a six-year period. Under the Policy, port communities may apply for the conversion of their Regional/Local port or group of ports to a CPA, although the port(s) would be required to meet the necessary criteria, including financial self-sufficiency.

Several communities/organizations in the Atlantic Provinces have formed committees to examine the process of transferring control of their ports to local interests.

The maintenance of Remote ports will be ensured by the Government of Canada. Remote ports have been identified using criteria that reflect the community's isolation and its reliance on both marine transportation and an existing Transport Canada fixed wharf structure.

Great Lakes/St. Lawrence Seaway

The government will pursue commercialization of the operations of the Great Lakes-St. Lawrence Seaway system.

Ferry Services

Under the National Marine Policy, the Government of Canada will continue to support all constitutionally mandated services, as well as those required by remote communities.

Marine Atlantic will be directed to substantially reduce its costs and increase efficiency by exploring new vessel management and procurement practices, the commercial operation of vessels and the streamlining of services, as well as schedule adjustments and the possible transfer of some services to provincial control. Safety regulations will remain the responsibility of the federal government.

Marine Pilotage

Pilotage services will continue to be organized regionally and managed by four Pilotage Authorities. Steps will be taken to reduce pilotage costs and to examine means of improving the management and delivery of services within the present regime. The mechanism for setting pilotage rates will be accelerated.

Future Role of Transport Canada

Transport Canada will continue to have control over issues and regulations relating to standards of safety and security. The department will also continue to be responsible for the essential services, remote community services including and all constitutional obligations.

Responses to National Marine Policy

Transport Minister Anderson is reportedly reconsidering the National Marine Policy and this has resulted in a delay in its introduction of legislation to Parliament. Meanwhile, a number of communities have begun to investigate the feasibility of taking control of the federal port facilities in their areas.

The APTC generally supports the proposals, particularly as they relate to providing more flexibility for Atlantic Canadian ports to respond to market demands and remain competitive gateways for Canadian trade.

FERRY SERVICE CHANGES

As discussed in the *1994-95 Transportation Review and Annual Report*, Transport Canada has embarked on a mode-by-mode, program-by-program review of their function and how they can do it better. Part of this review encompasses crown corporations of which Marine Atlantic is one.

Marine Atlantic initiated a review of its mandate and services to comply with the federal Minister's request to find ways to "commercialize" its service in this region. Several initiatives have taken place in the last year. Three of the more specific service examples are discussed below.

Bluenose Ferry Service

In September, 1995, Marine Atlantic decided to change its *Bluenose* ferry service to a seasonal operation in order to stem heavy winter operating losses which threaten its future.

The Yarmouth-Bar Harbour service was initially to operate until October 10, 1995, and resume mid-May, 1996. According to Marine Atlantic, the winter schedule has attracted very little passenger traffic and only small numbers of trucking units. The company stated it would accommodate its commercial customers' needs through the alternate Marine Atlantic route via Digby and Saint John.

"Moving the *Bluenose* service to a seasonal operation is an essential element in the company's plan to make the service financially viable," says Rod Morrison, President of Marine Atlantic. "Savings generated by the change will help the company reach the goal in its commercialization plan of having the service reach a break-even point by 1997."

In October, 1995, Marine Atlantic announced that the service would be extended to December 31, 1995, pending an economic impact study on the suspension of winter service by ATi Consulting Corp. Inc., of Halifax, NS.

The consultant's report concluded that ". . . the Canadian economy will be made worse off in net terms if 'winter' ferry service is terminated . . .". After reviewing the study, Marine Atlantic and Transport Canada officials concluded it was not sufficient evidence to further subsidize the service and the stay was not extended.

Community efforts in affected areas are now focusing on continued service under a private operator. Negotiations are presently underway with several private operators, the provincial government, local community leaders and Transport Canada in attempts to find a solution to maintaining year-round service.

Labrador Service

Marine Atlantic cut part of its service to Labrador in order to reduce operating costs. Included in the December, 1995, changes was the retirement of the *MV Taverner* ferry, which ran between Lewisporte and several communities on the Labrador coast.

It is anticipated that beginning June 10, 1996, the *MV Northern Ranger*, which also serves Labrador communities, will operate from St. Anthony instead of Lewisporte as a means of reducing cycle times thereby minimizing the loss of the *Taverner*.

Newfoundland South Coast Service

Newfoundland's south coast ferry service was handed over to the province in June of 1995. As reviewed in last year's annual report, the federal/provincial agreement provides the province with a one-time payment of $55 million in three instalments to continue service indefinitely at lower rates. The contract stipulates that the Newfoundland government will be responsible for any additional subsidies required after June 15, 1995.

The province tendered the service to a private operator. The service has operated with lower fares; however, the service pattern changed. Passengers are no longer able to travel by ferry from one end of the coast to the other. Several separate and localized ferry routes provide six days a week service to coastal communities to and from the nearest highway link.

APTC STRATEGIC PLAN

During 1995, the Board of Directors engaged a management consulting firm to undertake an external strategic review of the mandate, role and function of the APTC (see *1994-95 Transportation Review and Annual Report*, page 36). A survey of users of APTC services was conducted. Also, a large number of stakeholder interviews, including provincial governments, shippers, trade associations, carriers and other interested parties, were conducted. The results of these interviews and the survey were discussed by a focus group of Atlantic Region transportation users, providers and policy makers. The consultant then presented his report to the APTC Board at their November, 1995, meeting.

The Directors approved a mission statement and objectives to guide the APTC into the next century as follows:

Mission:

The objective of the Atlantic Provinces Transportation Commission is (i) to ensure the provision of economic, efficient and adequate transportation services to meet the needs of shippers and thus foster economic development in the Atlantic Provinces; and, (ii) to seek out opportunities to effect economies in the use of transportation by both industry and governments.

Objectives:

(1) Establish and maintain the role and reputation of being the voice of shippers and users of transportation in Atlantic Canada.

(2) Redefine the scope and type of services to meet current needs.

(3) Define an administration structure and organizational culture which distinctly demonstrates that the APTC has re-engineered itself to meet current needs.

(4) Strive towards the development of a broader financial base.

An implementation committee of Directors has been tasked with developing an implementation plan to meet these objectives and is to report to the annual Directors' meeting in June, 1996.

Coinciding with these activities, the APTC has refocused its day-to-day activities into three main areas —Advocacy, Advisory and Education— and is developing new services to meet the needs of Atlantic Provinces' shippers. The APTC has also evaluated several of its current services and publications with a view of making them more effective and generating revenue.

OTHER SERVICES

In meeting its objectives, the APTC provides a wide range of advice and information to various clients. Much of this type of work is of specific nature and in most cases confidential. Accordingly, detailed coverage in this report is not possible.

Numerous inquiries were dealt with during the past year regarding the termination of the Atlantic Region Freight Assistance Program and the Feed Freight Assistance Program.

Information and advice were provided to both industry and carriers on a variety of technical and regulatory matters relating to transportation.

A number of government agencies and departments contacted the APTC for information and analysis in the past year. Assistance provided ranged from transportation and plant location analysis to specific projects or information.

A significant number of potential and actual regional exporters requested guidance from the APTC on shipments to overseas markets.

The APTC continued the publication of its monthly newsletter of current transportation issues and events, *"Tips & Topics"*, with a circulation of 2,340 copies.

In addition, the APTC published the sixteenth edition of the *Directory of Ocean Shipping Services* and reissued the *Atlantic Provinces Transportation Directory*.

To enable the APTC to maintain a strong presence and provide knowledgeable assistance to the business community, the Commission continued its close association with a number of trade and industry organizations both within and outside of the Atlantic Region.

The APTC provided leadership in several *NEXPRO* training sessions in New Brunswick and Newfoundland (new exporters development program), covering the subjects of logistics and transportation. The APTC participated in an *Export Now* seminar series which also provided guidance to new exporters.

The APTC assisted Holland College, Charlottetown, PEI, in the design of a logistics management program for the College.

COMMISSION DIRECTORS

During the past year there were a number of changes in the membership of the APTC Board of Directors.

Provincial Government Appointments

The APTC lost its longest serving Director with the retirement of **Fred Hatfield** of Hartland, NB, from the Board in June of 1995. Mr. Hatfield had served on the Board since January of 1955 and was one of the most dedicated Directors, having served a number of years on the Executive Committee, and rarely missed a meeting. His council will be missed. At year end, this vacancy remained to be filled.

Ira Parker of Truro, NS, past Chairman of the APTC, completed his term of appointment in June, 1995, after serving on the Board for a period of nine years. His vacancy remained to be filled at year end.

David Scales of Charlottetown, PEI, also a past Chairman of the APTC, retired from the Board due to business commitments in June, 1995, after eleven years as a Director. This vacancy remained at year end.

Atlantic Provinces Chamber of Commerce Appointments

Bruce Chisholm, Manager of Woodland Services, Stora Forest Industries, of Port Hawkesbury, NS, was appointed to the APTC Board in May, 1995, to replace John MacDonnell, also of Port Hawkesbury, who retired in October, 1994. Mr. Chisholm was appointed to a two-year term.

Bev O'Keefe of Juniper, NB, completed his two-year appointment to the Board in March, 1996.

A listing of Directors at March 31, 1996, appears on page 8.

STAFF CHANGES

On January 31, 1996, after 38 years of service, **Ramsay Armitage** retired from the position of General Manager. Mr. Armitage joined the APTC in 1958 and served in several positions leading up to his appointment as General Manager in 1988. Previous to his employment with the Commission, Mr. Armitage worked for Canadian National Railway in Halifax for nine years.

Peter Vuillemot assumed the role of Acting General Manager effective February 1, 1996. Mr. Vuillemot has over 22 years experience at the APTC in a variety of positions.

ACKNOWLEDGMENTS

The Chairman, Directors and Acting General Manager express to the governments of the four Atlantic Provinces sincere thanks for both the financial support received and the personal co-operation and assistance rendered to the APTC by their appointees to the Board of Directors. Without this financial support and the participation of the governments and their officials in the work of the APTC, the benefits of the Commission to the industrial and business community would not be possible.

The support of the Atlantic Provinces Chamber of Commerce, in the form of appointments to our Board of Directors, is an important part of the Commission's structure. Through these appointments, together with the participation of the APCC President on our Board, the business community is well represented and this is gratefully acknowledged.

Also, the APTC's work would not be successful without the co-operation of the carriers serving the region. This cooperation is mutually beneficial and the thanks of the Directors and staff go to the carriers and their agencies.

Much of the success of the APTC is due to the direction and support given by the Board of Directors. These Directors serve without remuneration and represent a broad range of economic interest and a wide geographic representation from throughout the four Atlantic Provinces. The Chairman and Acting General Manager express their thanks to this dedicated advisory group.

Finally, without a loyal and dedicated staff, the work undertaken by the APTC and the success that is achieved for business and industry would not be possible. The APTC is indeed fortunate to have such a staff. To them, the Chairman and Acting General Manager extend sincere thanks for discharging their duties in a conscientious and efficient manner.

All of which is respectfully submitted.

Joseph S. Hutchings
Chairman

Peter A. Vuillemot
Acting General Manager

APTC HISTORICAL NOTES

ORGANIZATIONAL NAME	YEARS
Atlantic Provinces Transportation Commission	1969 -
Maritimes Transportation Commission	1951 - 69
Transportation Commission of the Maritime Board of Trade	1928 - 51•
Maritime Freight Rates Committee	1925 - 28
APTC CHAIRMEN	
Joseph S. Hutchings	1995 -
Ira Parker	1993 - 95
David A. Scales	1991 - 93
Brian K. Wentzell	1988 - 91
George Key	1985 - 88
E. S. Bailey	1983 - 85
Elwood S. Dillman	1980 - 83
George D. Wright	1978 - 80
Glendon F. Eddy	1976 - 78
Norman H. Smith*	1974 - 76
David G. Burchell*	1971 - 74
J. M. Crosby*	1963 - 71
A. Murray MacKay*	1954 - 63
L. W. Simms*	1950 - 54
D. R. Turnbull*	1945 - 50
J. D. MacKenna*	1940 - 45
D. R. Turnbull*	1938 - 40
J. D. MacKenna*	1936 - 38
D. R. Turnbull*	1934 - 36
A. P. Paterson*	1925 - 30•
APTC MANAGERS	
Ramsay M. S. Armitage	1988 - 96
Craig S. Dickson	1960 - 88
Howard A. Mann	1955 - 60
Rand H. Matheson	1934 - 55
Frederick C. Cornell*	1925 - 30•

* Deceased

• Following the beginning of the Depression in 1929, the operation of the Commission under a full-time Manager ceased from June 30, 1930, to August 1, 1934.