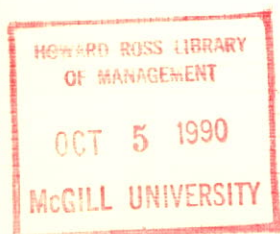


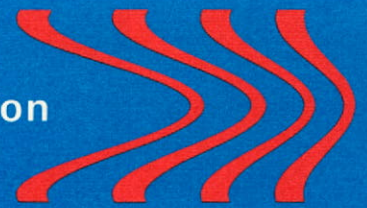
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Transportation Review
and
Annual Report



. . . 65th Year of Service





**Transportation Review
and
Annual Report
for the
Year Ended
March 31, 1990**

The Atlantic Provinces Transportation Commission has offices at Suite 210, 236 St. George Street, 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.



P. O. Box 577
Moncton
New Brunswick
E1C 8L9

Tel. (506) 857-2820
Fax. (506) 857-2835

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

*The Honourable David Gilbert
Minister of Works, Services & Transportation
Province of Newfoundland and Labrador
St. John's, NF*

*The Honourable George Moody
Minister of Transportation
Province of Nova Scotia
Halifax, NS*

*The Honourable Gordon MacInnis
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, 1989, to March 31, 1990. This report attempts to review 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 1989-90.

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

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

All of which is respectfully submitted.

*Brian K. Wentzell
Chairman*

LETTER FROM THE GENERAL MANAGER

So long as manufacturers and producers in the Atlantic Region are separated from markets of a sufficient size to support an economic scale of production, they, and the region generally, will continue to suffer a transportation disadvantage. For many manufacturers, the problem goes beyond a disadvantage in outbound transportation costs to reach the marketplace. Many companies rely on distant sources for needed raw and semi-manufactured materials, which are not available from within the region, and also suffer a disadvantage in transportation costs for inbound movements. For some shippers, the problem extends into the realm of warehousing and added inventory costs brought about by the need to redistribute their goods at major market locations to provide a competitive level of service to their customers.

While the transportation problems of which I speak are not new, this leads nicely into the subject of the Atlantic Region Freight Assistance program and its future availability. It was recorded in last year's annual report that, as part of the 1989 spring federal budgetary process, the ARFA program was in real jeopardy. It is with tremendous relief that we are able to record in this year's report on page 30 that the program will remain intact. While the uncertainty over the future of the program has the potential to discourage new investment and curtail job creation which, in itself, is damaging to the regional economy, it can be said that the events of last spring had a beneficial side in two ways. First, it placed focus and attention on an assistance program that is critical to the ability of many manufacturers and producers to remain competitive in the marketplace and particularly so in markets in Central and Western Canada. All too often there is a tendency to take things for granted and, at a time of severe fiscal deficits, we cannot afford to be complacent. Secondly, it has strengthened the resolve of the APTC and others interested in the future transportation needs of regional shippers to work towards ensuring the future security of the ARFA program.

The ARFA program alone addresses only part of our regional transportation needs. We must also strive to ensure that the region continues to be served by a full range of modal and carrier choices under a framework that facilitates and encourages competition. The regulatory reforms instigated by the federal government under the National Transportation Act, 1987, and other legislation appear to be working well in achieving a competitive and efficient transportation system serving the Atlantic Region. Evidence of this is apparent to the APTC from our involvement in the monitoring of the impact of "deregulation" on the Atlantic Provinces on behalf of the National Transportation Agency as reported on page 21 of this report. Responses from surveys reveal that many shippers are receiving the benefit of good service at favourable freight rates through confidential contracts and other means as a result of the pervasiveness of carrier competition.

Therefore, while shippers in the Atlantic Provinces continue to have transportation problems stemming from remoteness and distance from markets, which will continue into the foreseeable future, there are positive elements present which help to minimize the problem. Transportation is recognized in the National Transportation Act, 1987, as a key to regional economic development and the Atlantic Region must continue to strive for adequate and efficient transportation to meet the needs of users. The APTC will continue to do its part by seeking to ensure the availability of competitive, low cost transportation services via all modes of transportation for shippers and receivers in the Atlantic Provinces. Fulfilment of this objective will be enhanced by the continued support and interest of the provincial governments and their agencies, along with the numerous trade groups and shippers throughout the region.



Ramsay M. S. Armitage
General Manager

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APTC DIRECTORS AS AT MARCH 31, 1990

NOVA SCOTIA

Government

D. J. MacDougall

I. Parker

(One Vacant Appointment)

Atlantic Provinces Chamber of Commerce

E. R. Dalton

J. H. MacDonnell

C. A. Meisner

Halifax, NS

Truro, NS

Port Williams, NS

Port Hawkesbury, NS

Liverpool, NS

NEW BRUNSWICK

Government

F. H. Hatfield

D. L. Johnson

D. Kenny

Atlantic Provinces Chamber of Commerce

F. Beairsto

G. Carter

T. Millar

Hartland, NB

Fredericton, NB

Bathurst, NB

Fredericton, NB

Belleisle Creek, NB

Saint John, NB

PRINCE EDWARD ISLAND

Government

K. A. MacKenzie

D. A. Scales

Atlantic Provinces Chamber of Commerce

G. Ching

G. Key

Charlottetown, PE

Charlottetown, PE

Souris, PE

Summerside, PE

NEWFOUNDLAND AND LABRADOR

Government

W. T. Beckett

E. Hearn

Atlantic Provinces Chamber of Commerce

B. K. Wentzell

W. E. Doyle

St. John's, NF

Labrador City, NF

Corner Brook, NF

St. John's, NF

ALSO

President, Atlantic Provinces Chamber of Commerce

STAFF

Ramsay M. S. Armitage, General Manager

Peter A. Vuillemot, Assistant General Manager

(Vacancy), Transportation & Distribution Officer

Dale V. Ronalds, Senior Transportation Analyst

Jack A. MacQuarrie, Transportation Analyst

Charles D. Mollins, Computer Development Officer

Sheldon B. Steeves, Administration & Accounting Officer

Debbie E. Matchett, Assistant Transportation Analyst

Mona E. Savoie, Assistant Transportation Analyst

Brian A. Botten, Tariff Clerk

Cathy E. Peters, Staff Secretary

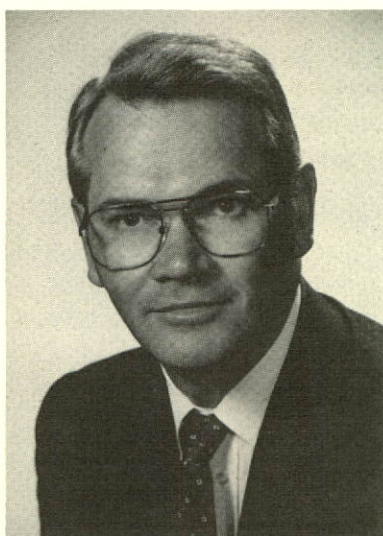
Debbie L. MacLellan, Assistant Staff Secretary

1989 - 1990 EXECUTIVE COMMITTEE



BRIAN K. WENTZELL

Chairman, APTC
Poole, Althouse, Clarke, Thompson & Thomas
Corner Brook, NF



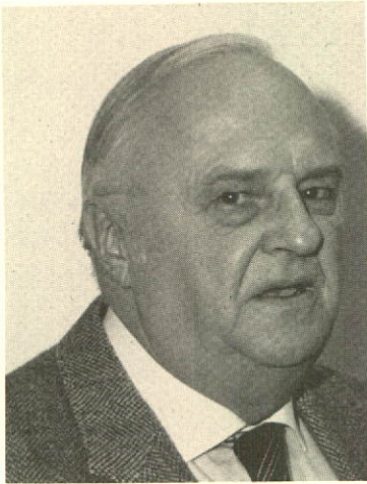
DAVID A. SCALES

Vice-Chairman, APTC
and President
Island Fertilizers Ltd.
Charlottetown, PE

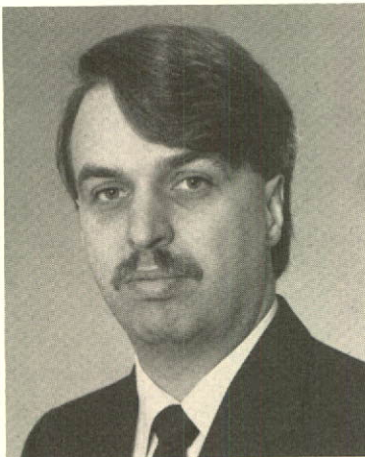


W. TOM BECKETT

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

1989 - 1990 EXECUTIVE COMMITTEE**FRED H. HATFIELD**

Hartland, NB

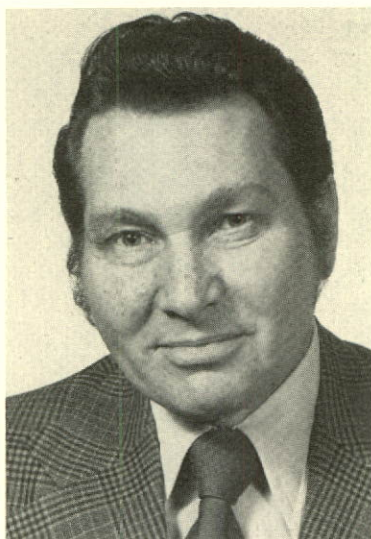
**DOUGLAS L. JOHNSON**

Assistant Director
Transportation & Communications Policy Branch
Province of New Brunswick
Fredericton, NB

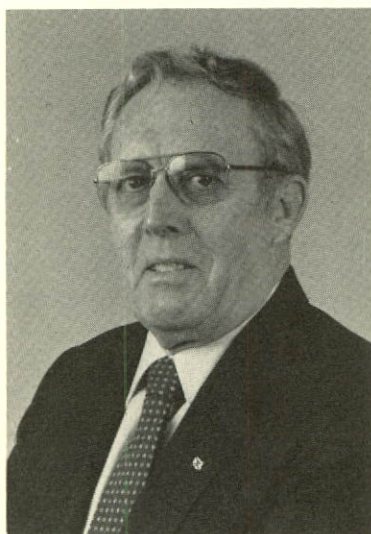
**DON J. MacDOUGALL**

Director, Transportation Policy
Province of Nova Scotia
Halifax, NS

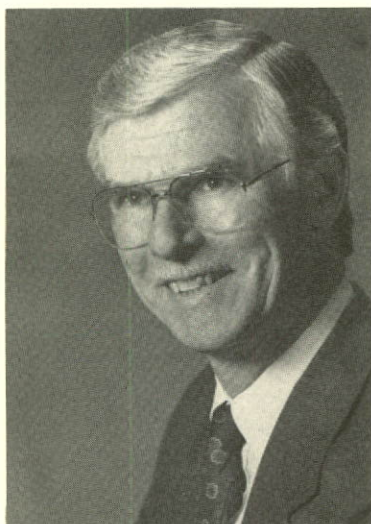
1989 - 1990 EXECUTIVE COMMITTEE



KEN A. MacKENZIE
Director, Transportation Policy
Province of Prince Edward Island
Charlottetown, PE



C. ARNOLD MEISNER
Manager
Eacan Timber Ltd.
Liverpool, NS



RAMSAY M. S. ARMITAGE
General Manager
Moncton, NB

COMMISSION STAFF



Left to Right: seated - Dale Ronalds, Ramsay Armitage, Peter Vuillemot; standing - Brian Botten, Debbie Matchett, Debbie MacLellan, Charles Mollins, Sheldon Steeves, Mona Savoie, Cathy Peters, Jack MacQuarrie

OBJECT AND FUNCTIONS OF THE ATLANTIC PROVINCES TRANSPORTATION COMMISSION

The object of the Atlantic Provinces Transportation Commission is to obtain for persons and industries in the Atlantic Provinces the best transportation services possible at a cost which will permit the Atlantic Provinces to compete in the markets of Canada and throughout the world.

To this end, included in the functions of the Atlantic Provinces Transportation Commission, as approved by the Directors of the Commission, are:

- (1) To maintain suitable files of carriers' tariffs and other publications to provide shippers, receivers and non-government agencies with data and expertise on rates and charges by all modes of transport;*
- (2) To circulate information on transportation developments, including rates, service and policy changes; a periodical newsletter, "Tips & Topics", being one of the vehicles used for this purpose;*
- (3) To negotiate directly with, or to make representations to, carriers or their agencies on behalf of all transportation users to obtain the best possible rates and services;*
- (4) To assist shippers, receivers and non-government agencies or groups with advice on transportation or distribution matters, including the preparation and presentation of briefs and submissions;*
- (5) To assist carriers when such assistance is consistent with the Commission's overall objective;*
- (6) To provide technical advice to the governments and government agencies of the Atlantic Provinces, including detailed studies on specific industries and continuing programs tailored to the needs of the particular province or provinces;*
- (7) To supply information to the governments of the Atlantic Provinces, individually or collectively, pertinent to the assessment or formulation of transportation policy;*
- (8) To assist the governments of the Atlantic Provinces, individually or collectively, in the preparation and presentation of submissions and representations to the federal government or its agencies;*
- (9) To continually review the transportation system serving the region and, where required, make recommendations to the provincial governments for improvements in the system whether it be public or private;*
- (10) To make representations to the provincial governments, subject to the approval of the Directors of the Commission; and,*
- (11) To make such public statements or submissions in regard to federal or provincial policy as shall be approved by its Directors, the provincial governments, or both.*

The services of the Commission are available by contacting the Commission's office at 236 St. George Street (Suite 210), Moncton, NB. Inquiries should be directed to the General Manager, Atlantic Provinces Transportation Commission, P. O. Box 577, Moncton, NB, E1C 8L9, Telephone (506) 857-2820, Fax (506) 857-2835.

GENERAL TRANSPORTATION REVIEW

Introduction

The year 1989-90 saw Canada continue moving through a less economically regulated transportation environment. Competition and market forces continued to be the determining factors in the provision of transport services in Canada.

A number of issues were at the forefront of transportation developments over the past year, including twinning the Trans Canada Highway, railway abandonments, federal Goods and Services Tax, VIA Rail service, freight rates to Newfoundland, and debate over a fixed link to Prince Edward Island. As well, there continued to be a number of changes relating to air and marine services in the region. These and other transportation developments and statistical data are presented in the pages that follow.

Rail

Total rail carload tonnage loaded in Canada decreased by 6.5% in 1989 as shown in *Table 1*. Most of this decline took place in Western Canada as a result of reduced shipments of wheat and sulphur. Eastern Canadian loadings declined slightly by 1.8%, while intermodal container and trailer traffic showed slight increases.

Table 1

RAILWAY CARLOADINGS (Tonnes '000)			
	1989	1988	% Change
Carload Traffic Loaded - Eastern Division	114,163.6	116,270.5	1.8
Carload Traffic Loaded - Western Division	127,606.5	142,331.2	10.3
Carload Traffic Loaded	241,770.0	258,601.7	6.5
Non-Carload Traffic Loaded	34.5	32.8	5.1
Containers on Flat Car Loaded	9,428.8	9,419.6	0.1
Trailers on Flat Car Loaded	4,318.2	4,240.9	1.8
Source: Statistics Canada Railway Carloadings December, 1989, Catalogue 52-001			

Financial results of Canadian National Railway and Canadian Pacific Limited, as taken from the companies' annual reports, for transportation related services are as shown in *Table 2*.

Table 2

CANADIAN NATIONAL RAILWAYS (In Millions \$)		
	1989	1988
System Net Profit	205.8	282.7
Income From Divisions Before Taxes:		
CN Rail	125.0	220.7
Grand Trunk Corporation	13.7	12.9
CANADIAN PACIFIC LIMITED (In Millions \$)		
System Profit	745.1	820.1
Net Income - Transportation	110.1	213.3
Income From Divisions Before Taxes:		
CP Rail	84.8	181.2
CP Ships	14.2	16.9
CP Trucks	-0.7	-1.0
Laidlaw Transportation	28.4	5.4
Source: Canadian National Railway Canadian Pacific Limited		

Transportation subsidy payments received to December 31, 1989, by Canadian railways under the terms of the National Transportation Act, 1987, are illustrated in *Table 3* below and *Graph 1* on the next page.

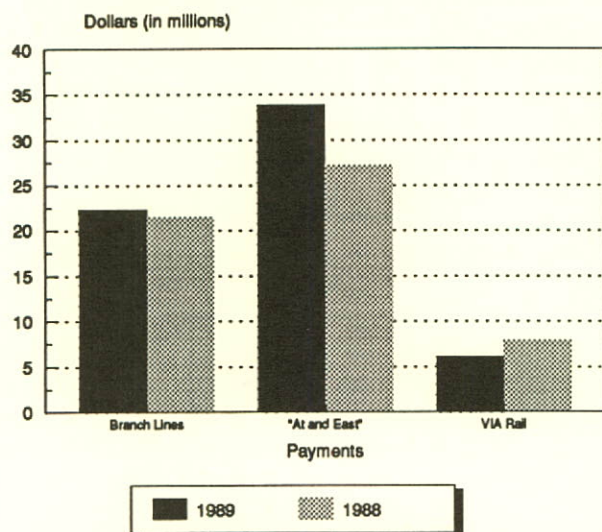
Table 3

TRANSPORTATION SUBSIDY PAYMENTS ADMINISTERED UNDER THE TERMS OF THE NATIONAL TRANSPORTATION ACT, 1987 (Payments to December 31, 1989)		
	1989	1988
	(In Millions \$)	
Western Grain Transportation Act	568.3	777.1
Branch Lines Operated by Railways	22.3	21.4
"At and East"	33.8	27.2
VIA Passenger Train Service	6.0	7.8
Total	630.4	833.5
Source: National Transportation Agency Annual Report 1988 and 1989		

No commitment was made in 1989 for the implementation of double-stack rail container service from the Port of Halifax, despite an increase of almost 10% in container tonnage moving through the port. CN Rail is continuing to assess the situation but cites a number of factors for the

Graph 1

TRANSPORTATION SUBSIDY PAYMENTS



Source: National Transportation Agency
Annual Report 1988 and 1989

delay in introducing double-stack service to the region, including: the significant capital expenditure required; insufficient traffic volumes; weight characteristics of containers at Halifax; and fluctuating levels of imports and exports, and vessel arrivals and departures. CN has offered to operate customer dedicated trains for shippers willing to supply their own equipment for double-stack service.

In late 1989, CN began to accept delivery of 100 new rail cars, each of which consist of five platforms and are capable of carrying either double-stack containers or highway trailers up to 53 feet long. CN announced its intention to implement a domestic container system to make optimum use of this new equipment in its operations. Conversions of existing trailer equipment will begin this year and the domestic container service will be implemented in the Toronto-Moncton corridor in 1990.

Due to the growth in domestic intermodal business, CN added a second "laser" train to its Toronto-Moncton operation. This dedicated scheduled intermodal train was added to provide the extra capacity required to accommodate the volumes of traffic to and from the Atlantic Region.

CN Rail is currently testing a more efficient system of rail car identification to keep better track of the 90,000 cars in its system. The pilot

project is being conducted in Nova Scotia on the East Milford to Dartmouth gypsum run. The highly technical system has special tags attached to the underside of each rail car and a scanner is placed between the rails. As the cars pass over the scanner, identification signals are fed directly into CN's computer system. If the pilot project proves successful, it will replace the present manual identification procedures and improve service to customers as arrival times will be determined more accurately.

During July, 1989, CN Rail added a third rail testing vehicle to its fleet. The \$1.8 million piece of equipment is a two-car system which tests tracks for problems with their gauge, grade and surface imperfections. Indirectly, it also tests for problems with the rail ties, ballast and the earth below the rail. The vehicle, based in Montreal, will be the third in CN's fleet; the other two are based in Western Canada.

As reported in last year's transportation review, the Federal Court of appeal, in a decision in March, 1989, cleared the way for the railways to negotiate agreements with the applicable unions for the operation of freight trains without cabooses. Both CN Rail and Canadian Atlantic Railway plan to introduce cabooseless train operations to the Atlantic Region during 1990.

The inquiry into the pricing policy of VIA Rail Canada Inc. by the National Transportation Agency, which began in March, 1989, was suspended in May and eventually terminated in October by the Minister of Transport. The federal government's plan to reduce passenger rail services in Canada was also announced in October, 1989, and became effective on January 15, 1990.

Nationally, 18 of 38 VIA Rail routes were eliminated and the number of trains operated was reduced by over 50%, from 405 per week to 191. VIA's route mileage was also reduced by 50% and its workforce cutback by 38%. Thirteen regional services were discontinued and transcontinental services were cut in half. In the Atlantic Provinces, the Halifax-Yarmouth, Halifax-Sydney, Halifax-Saint John, Moncton-Edmundston, Moncton-Campbellton rail services and the Moncton-Charlottetown bus service were discontinued. The operation of the "Atlantic" connecting Halifax and Montreal via Saint John and the "Ocean" from Halifax to Montreal via Mont Joli, PQ, were each reduced to three times per week from daily service.

The Prime Minister established a Royal Commission on National Passenger Transportation to inquire into and report on a national integrated inter-city passenger transportation system to meet the needs of the country in the 21st century and to ensure that transportation links among Canada's regions and communities are maintained and improved. The Royal Commission will be soliciting submissions from interested parties and holding public hearings in the fall of 1990.

Highway

Efforts continued by the provincial governments in New Brunswick and Nova Scotia during 1989-90 to secure funding to upgrade the Trans Canada Highway to four lanes. The federal government has made no commitment to this highway upgrading. In the meantime, a national highways study (see page 36) is being undertaken to examine current deficiencies in the national highway network and examine sources of funding for the necessary upgrading. During early 1990, the New Brunswick government committed \$100 million over the next three years as a start towards the four-lane reconstruction. Four areas of the Trans Canada in New Brunswick have been designated to receive upgrading this year, including a 4.4 kilometre section on the Tantramar Marsh near the Nova Scotia border, where construction has already begun. In Nova Scotia, four-lane preparatory work has begun at Amherst on the Amherst to Truro section.

The New Brunswick government established a Commercial Vehicles Enforcement Branch within the department of the Solicitor General during 1989, which consists of three components: mobile weigh scale units; permanent weigh scale sites; and, a unit responsible for enforcing the National Safety Code. The mobile weigh scales program is carried out by 24 officers located at 11 different sites throughout the province. The National Safety Code Unit is made up of teams, each consisting of two peace officers and two mechanics, who check trucks and buses on the highways to ensure compliance with the safety code.

A number of other events pertaining to the highway mode of transport occurred during the year under review. Implementation of the National Safety Code, motor carrier licencing reform, national highway policy and vehicle weights and dimensions are dealt with in greater detail in subsequent sections of this review.

Air

The high level of activity in air service that began in Atlantic Canada with deregulation in 1987 continued during 1989-90. The national carriers, Air Canada and Canadian Airlines International (CAIL), discontinued service on several smaller volume routes, with their regional carriers, Air Nova and Air Atlantic, providing increased service with smaller, more economical aircraft. Air Canada ceased operations at Gander, Stephenville and Sydney, as well as relinquishing their service between St. John's and Halifax. With the exception of Stephenville, Air Nova is providing increased service on these routes using 77-seat BAe 146 jets. A three phase plan over the next two years, which began in early 1990, will see CAIL relinquish all of its 737 jet routes within Atlantic Canada to Air Atlantic, who will also use BAe 146 jets.

Four new Dash 8 services were initiated by Atlantic Canada's regional carriers during 1989. Air Atlantic began a daily return flight between Charlo, Fredericton and Montreal; a daily return flight between Chatham and Montreal; and a daily return service five days per week between St. John's, Wabush and Labrador City. Air Nova now connects Bathurst, Fredericton, Halifax and Montreal with a daily flight. A third regional carrier, Inter Canadian Airlines, severed its alliance with Canadian Airlines International during the year and changed its name to Intair Inc. Intair began a daily service between Charlo, Chatham, Fredericton, Moncton, Toronto, Ottawa and Montreal, using 100-seat Fokker 100 turbo jet aircraft. Local carrier, Atlantic Airways changed its name to Provincial Air Lines and began a six day a week service between St. John's, St. Anthony and Blanc Sablon, PQ, using twin engine turbo prop aircraft with 19-passenger capacity.

Following a number of complaints, the Senate Standing Committee on Transport and Communications launched an investigation into the effects of the withdrawal of Air Canada's service from Stephenville, NF. The Senate report presented a number of concerns which were raised at public hearings into the matter. These included complaints that economic regulatory reform of the air industry lead to the creation of a "hub and spoke" system resulting in longer travel times for those traveling to or from smaller centres; the two major airlines, through their alliance partners, effectively control the industry and limit competition; and the new regulatory policy does not take

into account the special needs of the regions. Other concerns were raised with respect to joint fares; adequacy of air freight capacity; the lack of guidelines under which the National Transportation Agency may conduct an inquiry; the length of time required for an air carrier to give notice of exit from a market; lack of specific provisions under which subsidies may be provided for replacement air services; and the adequacy of the present designated area to encompass regions which may feel adverse effects from economic regulatory reform.

In its report, the Senate Committee found that many of the issues are extremely complex and would require further study. However, the Committee stated that it shared in the concerns and believed that perhaps economic regulatory reform does not treat all regions fairly. The Senate went on to recommend that the Minister of Transport instruct the National Transportation Agency to examine and report upon the concerns raised.

Turning to other areas, the National Transportation Agency has given notice that it will select and licence one Canadian air carrier to provide service for passengers and cargo between Halifax and New York, for regions adjacent to New York; and one carrier to provide service between Halifax and Hartford, CT; in both cases using aircraft with a capacity of not more than 60 passengers. Decisions have not been announced at the time of this report. KLM Royal Dutch Airlines inaugurated a twice weekly service between Amsterdam, Halifax and Ottawa on June 2, 1989. The service uses Boeing 747 combi aircraft which, in addition to accommodating passengers, has a capacity of 110,000 lbs. of cargo, including the ability to handle 20-foot containers weighing up to 25,000 lbs.

Air Canada, after having cancelled its daily DC8 cargo service to St. John's during 1988, partially reinstated the service during February, 1990, on a six-month experimental basis, with a once weekly flight between Toronto and St. John's via Moncton and Halifax.

Two regional connector airlines, Air Atlantic and Air Nova, announced new maintenance and service facilities in 1989. Air Atlantic officially opened a new \$2.2 million facility for their fleet at St. John's, NF, which comprises 3,100 square metres. Air Nova began construction of a \$4.8 million facility at the Halifax International Airport, to consist of 5,200 square metres, with the ability to house up to six aircraft at one time.

Air Canada became a private company during 1989 when the Government of Canada sold its remaining interest in the airline which represented 41.1 million shares or about 57% of the outstanding total. The new Air Canada stock was sold to both domestic and foreign investors. In addition, Air Canada sold 37% of its interest in the Irish aircraft leasing company GPA Group PLC. Revenue from the GPA sale will help finance a new fleet of aircraft scheduled for delivery during the 1990's. Forty-seven new aircraft valued at \$3.1 billion have been ordered from Boeing and Airbus for delivery by 1994. Options on additional aircraft for delivery by the end of the next decade total another \$3.5 billion.

Table 4 shows the operational statistics for Air Canada during the year under review. (Figures for Canadian Airlines International, Air Atlantic, Air Nova and Intair are not available.)

Table 4

	AIR CANADA (Millions)		
	1989	1988	% Change
Net Income (\$)	149.0	89.0	40.3
Revenue Cargo (Ton Miles)	595.0	605.0	1.7
Revenue Passengers Carried	12.0	11.9	0.8
Revenue Passenger Miles	16,278.0	15,553.0	4.5
Passenger Load Factor	69.7%	71.4%	2.4

Source: Air Canada Annual Report

Marine

The rapid growth of container traffic at the Port of Halifax during the 1980's has led the Halifax Port Corporation to consider the possibility of an additional major container terminal. Tenders were announced during April, 1989, for feasibility studies into possible locations in relation to road and rail links, general development of the terminal's cargo handling needs, consolidation facilities and the future handling needs of both bulk and breakbulk cargo. No further announcements have been made at the time of this report.

Atlantic Searoute Limited (ASL) doubled its capacity by adding a second vessel to the service between Halifax, NS, and the Newfoundland ports of St. John's and Corner Brook during June, 1989. The "M/V Cygnus", with con-

tainer and roll-on/roll-off capabilities, has 1,127 twenty-foot equivalent capacity and, together with its sister ship, the "M/V Sanderling", they make two sailings per week.

The ocean rate conferences, who publish rates on behalf of their member carriers operating between eastern Canadian ports and Continental Europe and the United Kingdom, discontinued Saint John, NB, and Quebec, PQ, as base ports effective January 1, 1990. Only Halifax, NS, and Montreal, PQ, remain as base ports in the eastbound and westbound North Atlantic tariffs. Through bills of lading are still available to Atlantic Provinces' shippers with ocean rates applicable to or from Halifax and applicable inland charges beyond.

In September, 1989, the Port of Halifax officially opened the \$4.7 million Pier B container terminal. This new facility has a 1,200 foot seawall with a water depth of 45 feet and increased the port's berthing capacity by 60% and container storage area by 25%.

A \$10 million expansion to the federal wharf at Bayside, NB, was completed during 1989. The project, part of Transport Canada's public ports program, extended the wharf by 150 metres to provide a total of 241 metres of wharf face and two additional hectares of storage space. The new berthing facilities will allow three ships to be loaded/unloaded at one time.

A statistical summary of traffic handled at Ports Canada ports is provided in Table 5. Halifax continued to show strong growth in container shipments which offset a decline in shipments of other cargo such as export flour and grain. The 18% increase in container traffic at St. John's was largely due to the shift in TerraTransport container traffic from Port aux Basques to St. John's.

The major additions to and changes in international shipping services during 1989-90 involving Atlantic ports are summarized below:

- > *Effective November 1, 1989, Compagnie Generale Maritime (CGM) re-entered the Mediterranean/North America traffic pattern*

Table 5

WATER CARGO TONNAGE LOADED OR UNLOADED AT PORTS CANADA PORTS (In Metric Tonnes)					
<u>Calendar Year</u>	<u>Saint John</u>	<u>Halifax</u>	<u>St. John's</u>	<u>Belledune</u>	<u>Total</u>
<u>ALL CARGO</u>					
1989	14,711,000	16,783,936	976,632	360,845	32,832,413
1988	14,904,000	16,235,831	944,682	446,774	32,531,287
Increase or (Decrease)	(193,000)	548,105	31,950	(85,929)	301,126
% Change	1.29%	3.38%	3.38%	19.23%	0.93%
<u>GENERAL OTHER CARGO*</u>					
1989	1,069,000	490,529	141,874	—	1,701,403
1988	1,113,000	573,321	141,980	—	1,828,301
Increase or (Decrease)	(44,000)	(82,792)	(106)	—	(126,898)
% Change	3.95%	14.44%	0.07%	—	6.94%
<u>CONTAINER CARGO</u>					
1989	132,000	3,888,819	393,762	—	4,414,581
1988	134,000	3,537,169	333,769	—	4,004,938
Increase or (Decrease)	(2,000)	351,650	59,993	—	409,643
% Change	1.49%	9.94%	17.97%	—	10.23%
* Excludes bulk cargo					
Source: Canada Ports Corporation					

as a fourth partner in Med-Atlantic service. CGM operates four vessels with weekly service between the Mediterranean and the North American east coast. Other Med-Atlantic members are Italia di Navigazione, Costa Container Lines and Evergreen. In addition, CGM offers a trans-shipment service over European base ports to the Mediterranean, West Africa, East Africa, Red Sea, Persian Gulf, Indian Ocean, South Asia and the South Pacific.

- During January, 1990, Sea Shuttle Inc., a subsidiary of McCain Foods Limited, began a weekly container service between Bayside, NB, and Port Elizabeth, NJ. The "M/V Tequila Sunrise", a 4,200-tonne container vessel provides complete intermodal service including contracted land transport.
- During March, 1990, North American Caribbean Line, a member of the Compania Sud Americana De Vapores (Chilean Line) Shipping Group, began a fortnightly regular liner service from Saint John to Miami, Haiti, Jamaica, Trinidad and other Caribbean destinations. Service consists of 20-foot and 40-foot dry standard and high cube containers, 40-foot reefer containers and flat bed containers.
- America Africa Europe Line, which calls at the Port of Saint John on an inducement basis, increased that service to monthly calls during 1989-90.
- Effective March 2, 1990, the Shipping Corporation of Trinidad and Tobago (SCOTT) suspended their liner service between North America and the Caribbean, citing difficulties that could not be overcome.
- The Columbian Line, Grancolombiana, discontinued calling at the Port of Saint John, during March, 1990. The line will continue to operate between ports in the eastern United States and South America. They cited competition forcing them to reduce their turnaround time from 14 days to 10 days as the reason for leaving Saint John.

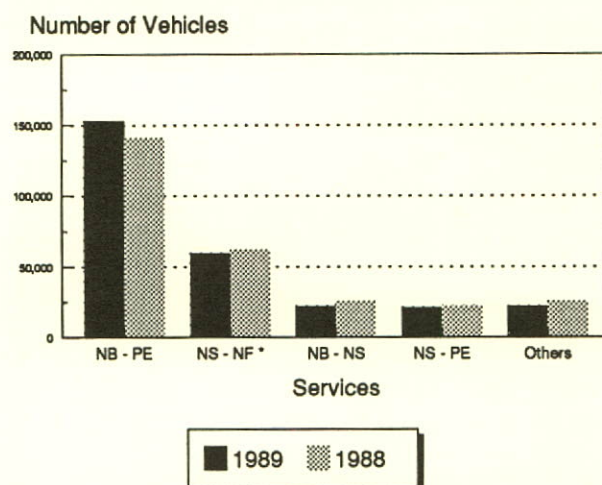
Ferries

Table 6 on the following page illustrates ferry operating statistics for the major ferry operations in Atlantic Canada for the past two years. While passenger and auto utilization of the ferry services

increased by varying amounts for most ferry services, truck and tractor trailer traffic declined on all ferry operations except for the Cape Tormentine-Borden and North Sydney-Argentina services. This is further illustrated in Graph 2.

Graph 2

COMPARISON OF TRUCK AND TRACTOR TRAILER TRAFFIC FOR ATLANTIC CANADA FERRY SERVICES



* North Sydney - Port aux Basques

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

The new Marine Atlantic Gulfspan ferry, "MV Joseph and Clara Smallwood", went into service between North Sydney, NS, and Newfoundland during January, 1990. The multi-million dollar vessel can accommodate 350 automobiles and 1,200 passengers with a crossing time of 6.5 hours from North Sydney to Port aux Basques and 13 hours from North Sydney to Argentina.

The Province of Newfoundland and Labrador initiated rate reductions for passengers and vehicles using government ferry services to bring the rates in line with the cost of equivalent highway travel. The rates are being lowered in three stages effective October 1, 1989; April 1, 1990; and April 1, 1991. Also, the Newfoundland government contracted for a new \$13.7 million ferry during May, 1989, to be constructed at the Marystown Shipyard by August, 1990. The new vessel will have a capacity for 36 vehicles and 240 passengers and is slated to operate on the Bell Island-Portugal Cove service.

Marine Atlantic implemented increases in rates on their ferry services in Atlantic Canada, which averaged 6%, effective January 8, 1990. An analysis of this increase, however, shows some instances far above the average, such as commercial vehicle rates between New Brunswick and Prince Edward Island, which increased 11%; as

well, some rates on the Newfoundland-Labrador routes increased 25-31%. The APTC communicated concerns over what was felt to be an excessive increase to the federal Minister of Transport. Northumberland Ferries has also announced fare increases in the area of 6%, to become effective at the beginning of its 1990 season, on or about May 1.

Table 6

FERRY OPERATING STATISTICS FOR ATLANTIC CANADA

<u>Service</u>	<u>Year</u>	<u>Passengers</u>		<u>Automobiles & Pick-Up Trucks</u>		<u>Trucks & Tractor Trailers</u>	
<u>MARINE ATLANTIC SERVICE</u>							
Cape Tormentine - Borden	1989	1,847,317	3.9%	642,696	4.3%	152,450	8.1%
	1988	1,777,292		616,379		141,069	
North Sydney - Port aux Basques	1989	384,873	7.9%	105,288	8.5%	59,565	4.4%
	1988	356,829		96,995		62,336	
North Sydney - Argentia*	1989	28,026	32.5%	7,829	32.0%	104	57.6%
	1988	21,146		5,929		66	
Yarmouth - Bar Harbour	1989	122,914	0.9%	33,504	3.1%	3,557	14.0%
	1988	124,012		32,500		4,135	
Saint John - Digby	1989	236,326	3.2%	62,098	5.5%	21,862	14.9%
	1988	229,073		58,856		25,685	
<u>NORTHUMBERLAND FERRIES LIMITED</u>							
Wood Island - Caribou♦	1989	548,563	0.5%	181,099	0.2%	21,228	5.1%
	1988	551,555		180,760		22,376	
<u>PRINCE OF FUNDY SERVICE</u>							
Yarmouth - Portland ■	1989	177,565	3.3%	30,015	7.9%	1,099	1.9%
	1988	171,946		27,812		1,078	

* 1989 operated June 12 to September 10
1988 operated June 13 to September 11*

♦ 1989 operated April 24 to December 6
1988 operated April 26 to December 12

▪ 1989 operated May 4 to October 21
1988 operated May 7 to October 25

• "Ambrose Shea" out of service July 28 to August 12 and August 26 to September 1, 1988.

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

GENERAL LEVEL OF RATES

As a result of legislation and regulatory changes implemented during 1988, monitoring and reporting freight rate increases continues to be a difficult task.

Increases to freight rates published in available freight rate tariffs were generally 5% to 6% for truck; 4% to 6% for rail; and 5% to 8% for air. Ocean rate conferences published a number of general rate increases during the year on behalf of their member carriers. These increases were generally expressed as flat dollar amounts per container. Many ocean rate conferences also introduced or increased currency adjustment surcharges or bunker surcharges during the past year. These general rate increases are normally subject to numerous exceptions and, for the most part, serve only as a guide to maximum rate levels. A large percentage of the freight traffic moving from, to or within the Atlantic Provinces is moving under confidential contracts or via car-

riers who keep their freight rates confidential. Input received from companies involved in the monitoring project being conducted by the APTC on behalf of the National Transportation Agency, indicates that, while some freight rates were subjected to moderate increases, most rates were either not changed during 1989 or were reduced.

During 1989, a total of 2,523 confidential contracts were issued on various commodities by rail carriers operating in Canada. This represents a twofold increase from the 1,223 confidential contracts issued in Canada during 1988. The Atlantic Provinces accounted for 311 contracts (roughly 20% from, 75% to, and 5% within the region) or 12% of all contracts issued in 1989, and just slightly less than double the 156 contracts affecting Atlantic Canada in 1988. It should be noted that a confidential contract may cover more than one commodity.

APTC MONITORING PROJECT

The APTC has completed its fourth report to the National Transportation Agency of Canada on the *"Impact of Federal Transportation Legislation on the Atlantic Provinces"*. This report, for the year 1989, monitors the impact on users of transportation, compares rates, service levels, availability, etc., with those in place during the base years 1986 and 1987; and the first year of deregulation, 1988. The APTC's mandate is to monitor similar information for the years 1990 and 1991. This information will assist the NTA with its monitoring and reporting to the Minister of Transport on an annual basis. This will lead to a comprehensive review of the deregulatory process by the NTA required in 1992.

The following highlights some key information gathered by the APTC from comprehensive questionnaires, interviews with transportation users, carriers, and Chambers of Commerce/Boards of Trade.

Two years after the implementation of the National Transportation Act, 1987, and the Motor Vehicle Transport Act, 1987, shippers remain generally positive toward the level of service

provided by carriers. Transportation costs have remained stable with some shippers able to secure lower rates than in the previous year which is contrary to the predictions made by some sources a year ago.

Rail carload and intermodal users continue the trend toward increased use of confidential contracts. There was an increase in the number of shippers utilizing this provision in 1989, as well as the percentage of total traffic moved under confidential contracts.

The railways are much more content over the expediency of the rail line abandonment process during 1989. A large percentage of the total rail network in the Atlantic Provinces was ordered abandoned in 1989. For many of these lines, abandonment was applied for in 1988, with the order to abandon issued in 1989, or were subject to a statutory review in 1988 or 1989 as a result of previous CTC decisions to keep the line operating. Concern over the future availability of the rail mode in the Atlantic Region began to emerge which is addressed on page 24 of this report.

Truck users continued to enjoy high levels of service, with little increase in rates. Motor carriers expressed greater satisfaction over the uniformity among provinces in granting extra-provincial licences. Carriers found the application process much less time consuming and much less expensive than the first year of regulatory reform. Motor carriers' major areas of concern were the National Safety Code hours of service regulations, the proposed Goods and Services Tax and competition from other carriers.

Motor carriers, shippers and others expressed concern over the need for upgrading of the highway network in the Atlantic Provinces. The New Brunswick portion of the Trans Canada Highway drew the most attention due to the fact that the highway links the Atlantic Provinces to Central Canada.

Air mode users continued to express satisfaction over the level of service in general. There were significant exceptions to this trend, however. Smaller centres - Stephenville, NF, in particular - complained bitterly over the loss of jet service to their communities. This loss resulted in reduced services, particularly in the area of cargo capacity. The turbo prop aircraft has relatively little

capacity for cargo. As of year end, the controversy continued. Some individuals and communities complained about the high level of fares, particularly on routes now serviced by turbo prop aircraft which had previously been served by jets. Quality of service was reduced with no accompanying reduction in fares, in their view.

With respect to the marine mode, the Port of Halifax saw continued strong growth in its container traffic. Port officials expressed some concern over the future of the port due to the competitive impact of Eastern United States ports. In spite of the competitive threat, CN remained uncommitted to double-stack service to the port.

The loss of the "At and East" grain and flour subsidy during 1989 is expected to have a significant negative economic effect on the Ports of Halifax and Saint John.

Ocean shipping conference lines imposed frequent rate increases in 1989 on the grounds that they are continuing to recover from several years of depressed rates. Concerns were expressed by the Canadian Shippers' Council that the Shipping Conferences Exemption Act was unable to protect shippers from unjustified liner rate increases.

MOTOR CARRIER LICENCING DEVELOPMENTS

Background

The Motor Carrier Transport Act, 1987, was designed to reduce economic regulation of the extra-provincial motor carrier industry. During its first year of implementation, problems developed due to a lack of uniformity in the implementation of the Act by provincial licensing authorities. Unnecessary delays and costs were experienced by motor carriers applying for licences.

Federal Statement of Public Transportation Policy

The APTC noted in its 1988-89 annual report that no regulations had been issued by the Federal Minister to give meaning to the "public interest" test of the MVTA, 1987. This problem contributed to the lack of national uniformity for the granting of extra-provincial licences by the various provincial boards.

On June 10, 1989, the federal Minister of Transport published in Part I of the Canada

Gazette a Statement of Public Transportation Policy concerning the issuance of licences for extra-provincial undertakings. The Motor Vehicle Transport Act, 1987, provides that the provincial transport boards shall have regard to any statement of public transportation policy of the federal government when considering applications for extra-provincial motor carrier undertakings.

The Statement of Public Transportation Policy outlines matters to be considered by provincial transport boards when determining "public interest" in respect to an application for extra-provincial operating authority. In determining whether or not the operation being considered would likely be detrimental to the public interest, primary emphasis shall be given to the interests of the users of transportation services. The statement lists with some detail the factors which a provincial board must consider before granting extra-provincial licences.

Through discussions with motor carriers throughout the Atlantic Region, the general

opinion regarding the speed and efficiency at which extra-provincial licences were granted in 1989 was favourable. Carriers felt that the boards were better prepared to process the applications expediently in 1989. This resulted in less time and money spent by carriers seeking licences.

Applications for Extra-Provincial Licences

The most significant application to be processed in the Atlantic Provinces in 1989 involved Sunbury Transport Limited. The New Brunswick Public Utilities Board denied an application by Sunbury Transport Limited to expand its operating authority.

Sunbury Transport had applied for authority for the carriage of general freight over all routes, to and from all points in New Brunswick, restricted to the transportation of one person's goods at a time per vehicle. If granted, Sunbury would have obtained complete authority for the movement of truckload freight within, to and from New Brunswick. Sunbury presently has New Brunswick authority for a large number of named shippers and specific commodities. It also

holds licences in all 10 Canadian provinces and in the 48 contiguous states of the United States.

Sunbury's application met with objection from three motor carriers, Brookville Transport Limited, Maritime-Ontario Freight Lines Limited and Lyle B. Eisner Trucking. Hearings commenced in June, 1988, and were completed in August, 1989. In all, the Board conducted 19 full days of hearings.

In reaching its decision to deny the application, the Board found that, insofar as Sunbury is concerned, Irving affiliate freight is captive. Also, that the Irving group controls sufficient freight entering and leaving New Brunswick that it can have a substantial impact on the provincial trucking market. Lastly, the Board found that Sunbury is able to charge artificially high rates on the movement of affiliated freight. The Board noted that "... it does not find anything inherently wrong with this practice." The Board also stated that "... this allows Sunbury to cross-subsidize its non-affiliated rates."

Sunbury Transport has filed an appeal of this decision with the New Brunswick Court of Appeal.

VEHICLE WEIGHTS AND DIMENSIONS

In February, 1988, the Council of Ministers of Transportation and Highway Safety endorsed a Memorandum of Understanding (MOU) concerning commercial vehicle weights and dimensions. Each of the provinces undertook to permit vehicles complying with the recommended (RTAC) weights and dimensions on a designated system of highways. The western Canadian provinces accepted the RTAC recommendations in their entirety and proceeded with implementation. In eastern Canada, the provinces did not accept the recommendations for 25 M maximum overall combination length and 16.15 M maximum semi-trailer length, implementing instead limits of 23 M overall combination length and 14.64 maximum semi-trailer length.

In December, 1989, Ontario introduced legislation to amend its regulations to permit the use of vehicles with a maximum overall combination length of 25 M and trailers of 16.15 M on designated highways and subject to several additional technical specifications, including a prohibition on air-lift axles. At year end, this legislation had not yet passed; however, longer

length vehicles meeting the specifications are allowed to operate under special permits. The Province of Quebec is also expected to amend its regulations to permit such longer length vehicles on designated highways only.

Once the proposed new legislation is passed in Ontario, the Atlantic Provinces will become the only jurisdictions in Canada which do not permit the use of such longer length vehicles. There are a number of shippers in the Atlantic Region that ship commodities of a light and bulky nature and could benefit substantially from the utilization of such equipment. These firms will be placed at a competitive disadvantage to those firms in other provinces which have access to the longer length vehicles. As a result, the APTC wrote to each of the Ministers of Transportation in the four Atlantic Provinces urging that, consistent with the applicable safety standards and regulations, the use of 16.15 M semi-trailers and 25 M overall combination length vehicles be permitted on designated highways to achieve uniformity with other jurisdictions in Canada.

NATIONAL SAFETY CODE

Implementation of the various safety standards under the National Safety Code (NSC) continued in the Atlantic Provinces during the past year. The most visible and controversial of these standards is the "Hours of Service" regulations. The federal government implemented regulations on July 1, 1989, to regulate the hours of service of drivers engaged in extra-provincial truck and bus undertakings.

The basic provision of these regulations is that a driver shall not drive a commercial vehicle, either for-hire or private, for more than 13 hours at a time or after accumulating 15 hours of "on-duty" time. Prior to driving, a driver must have a minimum of eight consecutive hours of rest before commencing an "on-duty" shift. There is also a

requirement to keep log books or electronic records outlining a driver's activities.

Similar provincial regulations have been enacted in Newfoundland (March 31, 1989), Prince Edward Island (July 1, 1989), and New Brunswick (December 1, 1989) to apply to drivers operating solely within provincial boundaries. Nova Scotia has yet to implement hours of service regulations but it is anticipated that they will do so before the end of 1990.

In 1989, New Brunswick formed a commerce vehicle enforcement branch to begin enforcement of the NSC regulations on the province's highways. The other Atlantic Provinces are utilizing existing enforcement agencies.

RAIL ABANDONMENTS

In the year under review, 660.5 miles of rail lines in the Maritimes were ordered abandoned by the National Transportation Agency. Appeals concerning 284 of these miles have been made to the Governor-in-Council or the Federal Court. *Table 7* on the following page shows the rail lines abandoned, abandoned pending appeal, and for which notices of intent have been filed as of March 31, 1990, under the provisions of the National Transportation Act.

APTC Position on Essential Rail Networks

"The National Transportation Agency's *Annual Review, 1988*," contained recommended criteria to identify rail networks essential to the economic development of any given region in Canada. This list of criteria, which was developed in response to a request by the Minister of Transport, was similar to recommendations advanced by the APTC and submitted to the Agency for their consideration in the matter. Details of this are contained in last year's annual report. The criteria, as set forth in the annual review, differed from the APTC's position in one respect. The APTC's suggested criteria "... rail lines that represent an economic means of moving highway trailers as an alternative to the use of public high-

ways . . ." was not included in the Agency's recommendations.

The APTC expressed its concerns to the federal Minister of Transport to prevent rail abandonments from proceeding to a point of jeopardizing the future availability of rail transportation in the Atlantic Region. The APTC wrote to the Minister of Transport, urging that steps be taken to ensure that rail lines essential to the region's economic development do not fall victim to the normal abandonment process.

While commending the Minister for his initiative in requesting the NTA, as part of their annual review for 1988 to develop criteria to be used to identify essential rail networks, the APTC urged that a procedure be established to prevent the abandonment of those lines that meet the criteria.

The following points were included in the APTC submission to the Minister:

- *Rail rationalization and rail abandonment are an inevitable consequence of competition and market forces. However, it is critical that steps be taken to ensure that rail lines which form part of a network essential to regional economic development do not fall victim to the normal abandonment process.*

Table 7

<u>Railway/Subdivision</u>	<u>Located Between</u>	<u>Total Miles</u>	<u>Status</u>
<u>NEW BRUNSWICK</u>			
<u>Abandonments</u>			
CN/Caraquet (Including Shippagan Spur)	East Bathurst - Tracadie	75.0	Abandoned May 2/89
CN/St. Quentin	Tidehead - I.N.R. Junction	103.5	Abandoned June 6/89
CN/Temiscouata	Cabano - Edmundston	15.0*	Abandoned October 16/89
CN/Tormentine	Sackville - Cape Tormentine	35.4	Abandoned December 31/89♦
CP/Aroostook	Aroostook - International Boundary	4.8	Abandoned May 2/89
CP/Houlton	Debec Junction - International Boundary	5.0	Abandoned May 2/89
CP/Shogomoc	Woodstock - Newburg	2.7	Abandoned July 11/89♦
CP/Shogomoc	Point North of Upper Kent - Point South of Aroostook	16.1	Abandoned July 11/89♦
CP/Tobique	Perth Junction - Plaster Rock	27.5	Abandoned July 11/89♦
Subtotal		<u>285.0</u>	
<u>Notice of Intent to Apply for Abandonment</u>			
CP/Edmundston	Mileage 55.6 - Mileage 56.1	0.5	Notice of Intent January 18/90
CP/Edmundston	Mileage 0.0 - Mileage 20.4	20.4	Notice of Intent January 18/90
CP/Shogomoc	Mileage 104.6 - Mileage 105.8	1.2	Notice of Intent January 18/90
CP/Shogomoc	Mileage 0.0 - Mileage 51.5	51.5	Notice of Intent January 18/90
CP/Shogomoc	Mileage 54.2 - Mileage 88.5	34.3	Notice of Intent January 18/90
CP/Gibson	Mileage 0.0 - Mileage 22.0	22.0	Notice of Intent January 18/90
Subtotal		<u>129.9</u>	
<u>NOVA SCOTIA</u>			
<u>Abandonments</u>			
CP/Kentville	Kentville - Annapolis Royal	53.8	Abandoned March 27/90■
CP/Yarmouth	Annapolis Royal - Yarmouth	86.6	Abandoned March 27/90■
Subtotal		<u>140.4</u>	
<u>PRINCE EDWARD ISLAND</u>			
<u>Abandonments</u>			
CN/Borden	Charlottetown - Borden	42.4	Abandoned December 31/89♦
CN/Kensington	Emerald Junction - Linkletter	19.5	Abandoned December 31/89♦
CN/Kensington	Linkletter - Tignish	65.2	Abandoned October 15/89
CN/Montague	Mount Stewart Junction - Montague	25.6	Abandoned October 15/89
CN/Murray Harbour	Maple Hill - Uigg	22.4	Abandoned October 15/89
CN/Souris	Royalty Junction - Souris	55.0	Abandoned October 15/89
(Including Elmira Spur)	Harmony Junction - Baltic	5.0	
Subtotal		<u>235.1</u>	
* Approximate number of miles in New Brunswick.			
♦ Under appeal to the Federal Court.			
■ Under appeal to the Governor-in-Council and an application for leave to appeal to the Federal Court remains outstanding.			

- *Because the Atlantic Provinces have a small and scattered population and greater reliance on distant markets and sources of materials compared to manufacturers and producers situated in central Canada, transportation is, for many Atlantic Region companies, a critical element in their ability to compete in the marketplace.*
- *Attention was also drawn to the need for rail service in the Atlantic Provinces to respond to regional economic development requirements. As more branch lines are abandoned, the economic integrity of the rest of the system may be jeopardized. That is not to say that little used lines should be retained. However, some abandonments may result in the loss of significant feeder traffic. While the concept of serving shippers intermodally may be an adequate response in some cases, the railways in this region can ill afford the loss of business of those shippers who might move to highway or marine modes.*
- *From the regional point of view, it is important to recognize the critical importance and ongoing need for a balanced and competitive system offering all modes of transportation, including rail transportation. Therefore, it is important to establish a procedure to prevent the abandonment of rail lines that meet the criteria of an essential rail network.*

Canadian Atlantic Railway (CAR)

The Canadian Atlantic Railway (CAR) has proposed a plan for the consolidation and rationalization of rail services in western New Brunswick. The plan provides for the continuation of railway services on segments of the line that may have potential to become economical in the future. It also provides for applications to abandon lines that show no prospect of becoming viable, as well as a co-service arrangement between CAR and CN Rail.

Under the CAR plan, service will be maintained on the lines from Nackawic to Fredericton, Fredericton to Oromocto, Fredericton to Fredericton Junction, and Cyr Junction to Grand Falls. A co-service arrangement with CN Rail will allow CN to assume responsibility for serving CAR customers at the northern end of the line to Grand Falls, with CAR assuming responsibility for CN customers in the Fredericton and Oromocto areas. At the conclusion of the year, the proposed co-ser-

vice agreement had not been consummated between the two companies.

As part of this proposed plan, CAR has given notice of intent to apply to the NTA for the abandonment of a total distance of 129.9 miles, including the following lines in New Brunswick:

- the Edmundston Subdivision between mile 55.6 and 56.1;
- the Edmundston Subdivision between mile 0.0 and 20.4;
- the Shogomoc Subdivision between mile 104.6 and 105.8;
- the Shogomoc Subdivision between mile 0.0 and 51.5;
- the Shogomoc Subdivision between mile 54.2 and 88.5; and,
- the Gibson Subdivision between mile 0.0 and 22.0.

While the proposed rationalization plan will retain service for a number of shippers on those lines which will be maintained, several major shippers at Florenceville and Hartland will be left without rail service. McCain Foods has announced its intention to oppose any abandonments which will affect their facilities at Florenceville.

All lines involved in the CAR plan were identified in a study by the APTC in 1987 as potential candidates for abandonment. The CAR co-service and rationalization plan is the only one put forward to retain those lines which would otherwise likely be lost through the abandonment process. It has the potential of retaining rail service on the most heavily utilized portions of the rail network in western New Brunswick.

Dominion Atlantic Railway

After public hearings, the National Transportation Agency ordered CP Rail to abandon 140.4 miles of the DAR located in western Nova Scotia. The effective date of the abandonment was set for July 13, 1990, one year after the order was issued due to the presence of VIA Rail passenger service on the lines. Lines affected were a portion of the Kentville Subdivision and the entire Yarmouth Subdivision from Coldbrook to Yarmouth, NS.

Following the federal announcement that VIA Rail passenger service would be terminated on these lines, CP Rail applied to the Agency for

an order changing the effective date of abandonment to January 16, 1990. VIA Rail service terminated January 15, 1990.

The application by CP Rail was opposed by the Province of Nova Scotia, the Annapolis Valley Affiliated Boards of Trade, Transport 2000-Atlantic, and Superior Propane. On February 27, 1990, the Agency changed the previous order by moving the abandonment date to March 27, 1990. In making its decision on the matter, the Agency found that the termination of VIA's passenger service on the line did constitute a change in the facts and circumstances of the original order. The Agency dismissed the arguments presented to them in opposition to the change in effective dates.

As of March 31, 1990, an appeal to the Minister of Transport by the Annapolis Valley Affiliated Boards of Trade remains outstanding.

Prince Edward Island

The NTA granted CN authority to abandon the operation of the remaining lines in the Province of Prince Edward Island, along with the one line in the Province of New Brunswick which serves as a connection to the Prince Edward Island ferry.

After a request from the PEI Minister of Transportation for leave to appeal to the Federal Court, the NTA granted an interim stay of the order.

In late March, following a Federal Court hearing in Charlottetown, the PEI Minister of Transportation was granted leave to appeal on constitutional grounds. The Court also granted an injunction to prevent CN from removing any track until the appeal has been heard.

ACE COMPLAINT REGARDING NEWFOUNDLAND RATES

This subject has been reported in successive APTC annual reports, with the current situation being part of an ongoing saga that commenced in 1982 through a complaint by Atlantic Container Express (ACE) to the Minister of Transport alleging predatory pricing of rail rates from Central Canada to Newfoundland. A more complete outline of the background of the matter is contained in the last two annual reports.

In more recent terms, a complaint submitted by ACE to the National Transportation Agency (NTA) in June, 1988, alleging that certain rail rates to the Maritime mainland which were used to construct rates to Newfoundland (i.e., prorated to cover the extended distance to Newfoundland) are non-compensatory. Through an exchange of written submissions, the Newfoundland government and the APTC, together with CN Rail, responded by pointing out that the reduced rates are totally consistent with the decision of the Review Committee of the CTC.

The NTA issued a decision on October 3, 1989, and, while it found that the rates subject to complaint were in each case compensatory, the NTA decided to hold a public hearing into the question of how Term 32(2) of the Terms of Union is to be applied to today's circumstances. Reasons

given for calling a hearing related to changes that have occurred since the decision of the Review Committee of the CTC of August 28, 1987, and specifically:

- *new legislation (i.e., the National Transportation Act, 1987) and the provision for confidential contracts;*
- *changes in the way traffic is handled to Newfoundland (via Halifax);*
- *very little traffic moving via the Terms of Union route (via North Sydney); and,*
- *termination of the Newfoundland railway.*

On October 11, 1989, ACE applied to the Federal Court of Appeal for leave to appeal the NTA decision of October 3, 1989, which determined that certain rates referred to in a complaint by ACE were compensatory as well as ordering a hearing into the matter. The ACE application was based on the allegation there was a lack of procedural fairness and natural justice concerning the treatment of railway costs and confidential rates during the NTA proceedings. On December 19, 1989, the Federal Court granted the application of ACE for leave to appeal.

In a second application, dated October 26, 1989, the Government of Newfoundland applied to the Federal Court for leave to appeal the same NTA decision referred to above on the grounds that the Agency erred in law or exceeded its jurisdiction in deciding to hold public hearings. This application was supported by the APTC and CN, while being opposed by ACE. On January 15, 1990, the Federal Court denied the application of the Newfoundland government for leave to appeal.

At the conclusion of the year, proceedings before the Federal Court were underway. Other participants in the case are the NTA, CN Rail, the Government of Newfoundland and the APTC.

On March 23, 1990, the NTA issued a notice of public hearing into the above matter to be held on August 7, 1990, to be preceded by a pre-hearing conference on April 25.

SCEA - OCEAN SHIPPING RATES

During the year under review, provisions of the Shipping Conferences Exemption Act, 1987 (SCEA), were questioned by the Canadian Shippers' Council (CSC). The CSC is the designated representative of shippers' interests with respect to ocean shipping matters. The CSC experienced difficulties in seeking reasonable explanations from the member lines of certain ocean conferences for major increases in their rates and charges. The problem stems from the fact that a provision of the SCEA allows the conference members to collectively set prices, without providing for sufficient protection for shippers against potential abuse of this right by the carriers.

The CSC, in a letter to the Honourable Benôit Bouchard in October, 1989, expressed concern that their efforts to resolve disputes with various ocean conferences, including meeting with officials from both the National Transportation Agency and Consumer and Corporate Affairs, were not producing satisfactory results. The CSC concluded that no economical solutions were available and that the SCEA essentially protects shipowner cartels but not shippers. The CSC acknowledged that certain provisions of the SCEA, such as the elimination of loyalty contracts, had been positive; however, they advised the Minister that the government should not delay until 1992 the revision or total elimination of the SCEA.

PILOTAGE

The Atlantic Pilotage Authority (APA) published notice on December 23, 1989, in Part I of the Canada Gazette, of a proposed increase in the rates and charges for trips and movages in the compulsory pilotage waters of Atlantic Canada. The proposed increases reflected a policy change by the APA which directs each pilotage area to operate on a self-supporting financial basis. Previously, a policy of cross-subsidization between areas had been followed. The new approach was taken as a result of a 1987 across-the-board increase proposal being rejected by the National Transportation Agency following an inquiry as "not in the public interest". Thus, the 1989 proposed increases varied considerably from as little as 1% at Bras d'Or, NS, to as much as 24% at Bay of Exploits, NF, with Saint John and Halifax at 6.5%, Miramichi River and St. John's

15%, Sydney 8%, Come-by-Chance 20.4%, and Corner Brook 7%. Supplementary and miscellaneous pilotage charges were proposed to increase by 7%. These increases were estimated by the APA to generate approximately \$500,000 in increased revenue.

The proposed increase was opposed by a number of parties including the Government of Newfoundland and Labrador, the Halifax-Dartmouth Port Development Commission, the Shipping Federation of Canada, and others. The APTC requested that it be considered an interested party to any investigation or proceedings which might be implemented by the NTA in this matter. No decision as to a public inquiry or further proceedings had been taken by the NTA at the time of writing this report.

ATLANTIC REGION FREIGHT ASSISTANCE

As part of the APTC annual report, it is customary to include payments by the federal government under the Maritime Freight Rates Act (MFRA) and the Atlantic Region Freight Assistance Act (ARFAA) based on the preceding two calendar years. It has been suggested by the National Transportation Agency, as administrators of the subsidy payments, that the use of fiscal year figures (April 1 to March 31) would be more in keeping with the Agency's accounting process. Accordingly, the payments shown in *Table 8* that follows are fiscal year figures not calendar year figures as shown in past reports.

Payments under the MFRA and ARFAA for the fiscal year 1989-90 were approximately \$97 million, reflecting an increase of \$5.9 million from the previous year. A breakdown of the payments by mode of transport reveals that truckers actually received an increase of roughly \$11 mil-

lion or 17%, while payments to the railways fell by about \$5 million or 21%. The NTA advises that the increase to the trucking industry is due to an increase in the movement of eligible goods by truck, combined with additional or new carriers becoming eligible under the program. The decline in payments to the railways is due to a backlog of claims awaiting payment approval, as well as a decline in eligible traffic moving by rail.

The Atlantic Region Freight Assistance program plays a critical role by reducing the cost of transportation for manufacturers and producers thereby helping to offset part of the disadvantage faced by regional shippers in competing in markets throughout Canada. In specific terms, the payments to carriers are to compensate them for maintaining a lower level of freight rates. Details of the payments for the past two fiscal years are as follows:

Table 8

TABLE SHOWING PAYMENTS UNDER THE ATLANTIC REGION FREIGHT ASSISTANCE PROGRAMS (\$X'000)				
<u>Fiscal Year</u>	<u>Rail</u>	<u>Truck</u>	<u>Water</u>	<u>Total</u>
<u>Intra-Regional</u>				
1989-90	6,103	43,824	682	50,609
1988-89	7,524	37,217	606	45,347
<u>Westbound Basic</u>				
1989-90	10,965	24,705	0	35,670
1988-89	12,906	21,480	0	34,386
<u>Westbound Selective</u>				
1989-90	2,168	9,003	0	11,171
1988-89	4,047	7,511	0	11,558
<u>Total Payments - Intra-Regional and Westbound</u>				
1989-90	19,236	77,532	682	97,450
1988-89	24,477	66,208	606	91,291
Increase or (Decrease)	(5,241)	11,324	76	6,159
% Change	21.41%	17.10%	12.54%	6.75%

Source: National Transportation Agency of Canada

Definition of Select Territory

On January 19, 1990, the National Transportation Agency issued a notice of inquiry into an application for an interpretation with respect to the western boundary of the "select territory" as it applies to goods moving under the Atlantic Region Freight Assistance Act (ARFAA). The application was made by Gilles Bernier, MP, with respect to the inclusion or exclusion of the amalgamated municipality of Vallée Jonction in the select territory. Before the amalgamation of the two municipalities of l'Enfant Jésus and Vallée Jonction, the former was considered to be outside the select territory and the latter inside the select territory.

The APTC and the Governments of New Brunswick and Newfoundland intervened in the matter and objected to any change in the definition of the select territory as contained in the ARFAA. The submissions pointed out that municipal boundaries have nothing to do with the limits of the select territory and that the present definition in the Act clearly places shippers located east of Quebec Highway 23 (now Highway 173) within the select territory and shippers located west of the highway outside the select territory.

At the conclusion of the year, the matter was still before the NTA for a decision.

Eligibility - Magdalen Islands

The APTC annual report for 1988-89 recorded the case concerning the proper level of subsidy under the Atlantic Region Freight Assistance Act for shipments transported by a motor carrier utilizing a ro/ro vessel service from the Magdalen Islands to Montreal. The NTA ruled on June 23, 1988, that such shipments would be eligible for a subsidy payment of 10% rather than the 23.33% which would have applied had the shipment been routed via the ferry service from the Magdalen Islands to Prince Edward Island and thence via highway through New Brunswick to Montreal. An application to the Federal Court for leave to appeal the NTA decision, which also transpired in the 1988-89 year, was denied.

In November, 1989, this matter was again placed before the NTA because of a change in circumstances whereby the ro/ro ferry was to commence calling on Matane, PQ, a point within the select territory, in lieu of Montreal during the months of February and March. An administrative ruling of the NTA issued in December, 1989, held to the earlier decision of the Agency to the effect

that the shipments in question leave the select territory in the St. Lawrence River in the vicinity of Port Menier in Anticosti Island which results in a subsidy of 10%.

Future of MFRA/ARFA Program

Near the conclusion of last year, and as recorded in the 1988-89 annual report, there was considerable uncertainty over the future of the Atlantic Region Freight Assistance program. The concern emanated from persistent rumours that the program was under review as part of federal budgetary process in the spring of 1989. It was not until the budget became public on April 27, 1989, that the concerns were allayed. Moreover, it was not until the budget itself was released that the APTC received assurance from the office of the federal Minister of Transport that the program will remain intact.

The uncertainty over the future of the assistance program received headlines starting in early April of 1989 and had a very dilatory and unsettling effect on the business community and business investment in Atlantic Canada. Every effort was made to avoid unnecessary and negative publicity about the future of the program but early meetings with senior officials of the federal government and other behind the scenes activities failed to yield any real assurance that the program was not in jeopardy. As a consequence, early in April of 1989, a major campaign was launched which included the active involvement and direct support of the Atlantic Provinces' Premiers, the Council of Maritime Premiers, regional Ministers responsible for transportation and various trade groups. In addition to the role played by the APTC in coordinating and unifying the regional response, the entire effort was given a major thrust by the formation of an ad hoc "Industry Committee - Atlantic Region Subsidies". The Committee consisted of a broad cross section of Atlantic Canadian industry under the Chairmanship of Elwood Dillman of Scotia Investments Group of Hantsport, NS, and proved to be a very effective means of furthering the cause in support of the retention of the assistance program.

The future security of the ARFA program has become a paramount objective of the APTC. Periodic uncertainty over the program's future can only do irreparable harm by discouraging new investment and curtailing job creation in the region. This need has been submitted to the federal Minister of Transport, along with a commitment by the APTC to work with federal officials with the objective of enhancing the program by seeking ways to make it more effective.

NATIONAL TRANSPORTATION AGENCY DECISIONS

Intermodal Rates On Peat Moss From New Brunswick

By letter dated December 17, 1986, Les Tourbieres Premier Ltee, a peat moss producer located in Riviere-du-Loup, PQ, submitted a formal complaint alleging that CN Rail rates on intermodal movements of peat moss originating in New Brunswick were non-compensatory under Section 276 of the Railway Act. Following a review of the matter by the NTA, Show Cause Order 1988-R-633 dated July 20, 1988, was issued requiring CN to justify its rate levels. After reviewing its determination of the costs, the NTA issued Show Cause Order 1988-R-1112 dated November 29, 1988, requiring CN, based on revised cost figures, to again justify its rate levels. The Show Cause Orders were issued following determinations by the NTA that the rate charged by CN on a movement of peat moss from Inkerman, NB, to St. Bonaventure, PQ, as well as rates charged on other intermodal movements of peat moss originating in New Brunswick, were non-compensatory.

The NTA conducted an evaluation of the costs claimed by CN relating to this specific movement, as well as the CN rates applicable on other intermodal movements of peat moss from New Brunswick, and found that the rates charged by CN on this traffic have been established in compliance with the compensatory requirements of Section 112 of the National Transportation Act, 1987.

Rail Liability

In the past, provisions governing the limitation of the railway's liability for the carriage of goods were governed by Section 294 of the Railway Act and the General Orders of the Canadian Transport Commission (CTC). The National Transportation Act, 1987, which came into effect on January 1, 1988, repealed Section 294 of the Railway Act and cast doubt on the validity of the General Orders pertaining to the railway's liability.

As a result, during 1988, a committee was established to assist the National Transportation

Agency with a review of railway liability for the transportation of freight. The purpose of the review was to develop railway liability regulations which provide effective and comprehensive liability protection for shippers; streamline and simplify freight claim processing; facilitate liability matters on traffic moving between Canada and the United States; while, at the same time, remain consistent with the intent of the National Transportation Act, 1987, to minimize the regulatory burden while meeting the needs of shippers and carriers.

Although new regulations have been drafted by the NTA, they have not received final approval. In the meantime, shippers without a contract which addresses liability can protect themselves by including a reference to CTC General Order T-5 on their bills of lading.

Interswitching

Effective January 1, 1990, railway interswitching rates for 1990 were set at the levels shown in *Table 9* below, with the 1989 rates in brackets. These rates have importance not only in relation to direct carload switching charges but also because they are used as a component in determining Competitive Line Rates (CLR's) as provided for in the National Transportation Act, 1987. The recosting of the rates for 1990 followed a consultation process undertaken by Agency staff which was similar to the procedure used to develop the interswitching rates for earlier years.

Table 9

Interswitching Distance Zone	Rates Per Car For Interswitching	
	To or From a Siding	A Car Block
Zone 1 (less than 6.4 km)	\$180 (\$170)	\$90 (\$90)
Zone 2 (6.4 to 10 km)	\$200 (\$190)	\$90 (\$90)
Zone 3 (10 to 20 km)	\$225 (\$220)	\$90 (\$90)
Zone 4 (20 to 30 km)	\$275 (\$260)	\$90 (\$90)

"AT AND EAST" EXPORT GRAIN AND FLOUR SUBSIDY

The federal budget of April, 1989, terminated the "At and East" Export Grain and Flour Subsidy program effective July 15, 1989. This program, which had been in effect since the mid-1960's, maintained a fixed rate level for the movement of grain and flour by rail to eastern Canadian ports for export. The rail rates were frozen by statute and the railways were reimbursed for the difference between the frozen rates and compensatory rates set annually by the National Transportation Agency. Eastern Canadian ports covered under the special rate structure included Halifax, Saint John, Montreal and any port on the St. Lawrence River east of Montreal.

In 1988, there were approximately 945,000 tons of grain and flour moved under the "At and East" program. Approximately 90% of this moved via the Ports of Halifax and Saint John. Total subsidy payments were approximately \$33 million. Export grain moving under the program represented 100% of the volume of grain handled by the Saint John grain elevator and approximately 60% of the volume of the Halifax grain elevator.

The budget papers rationalized the decision to terminate the program solely on the basis of the absence of competition between US and Canadian ports for this traffic and failed to identify the full purpose and objective of the program. In addition to ensuring that Canadian ports could compete with US ports, the "At and East" program was also intended to enable the Ports of Halifax and Saint John compete with Montreal and other St. Lawrence River ports.

The APTC completed an analysis of the economic impact of the program which showed that approximately \$14.4 million in direct economic activity will be lost to the region due to the termination of the program based upon the assumption that the Halifax grain elevator would continue operation at a reduced level and the Saint John elevator would close. However, should both Atlantic grain elevators cease operation, then the direct negative economic impact was estimated to be approximately \$27.6 million.

In June, 1989, a meeting was held at which representatives from over 20 regional organizations and governments sought ways to offset the negative economic impact on the region. The APTC was asked to coordinate the regional response to the termination of the program. On June 16, 1989, the Minister of Transport intro-

duced Bill C-26 in the House of Commons to terminate the "At and East" program.

Throughout the summer months, the APTC attempted to arrange a meeting with the federal Minister of State for Grains and Oilseeds to explain the negative impact on the Atlantic Region resulting from the termination of the program and present a number of proposals for mitigating action. As we were unsuccessful in arranging such a meeting, a brief was prepared outlining the Atlantic Region's position and presenting offsetting proposals. This brief was sent to the Minister in September, 1989. Also, discussions were held with the railways concerning the possibility of utilizing unit trains for the movement of export grain to the Ports of Halifax and Saint John.

In October, 1989, the federal Department of Grains and Oilseeds held a meeting to discuss the potential for the utilization of water transport for the movement of "Plan C" grain which the APTC attended as part of the Atlantic Region delegation. As a result of those discussions, it became apparent that this option does not have as great a potential to offset the negative effects on the local feed industry resulting from the termination of the "At and East" program, as was once thought.

In February, 1990, Bill C-26 was debated in the House of Commons prior to receiving second reading. There was lengthy debate on the effects of the termination of the "At and East" program on the Atlantic Region and the procedural grounds resulting from the termination of the program prior to the Bill having been passed. The APTC was invited to appear before the House of Commons Standing Committee on Transportation on February 20, 1990. In the presentation to the Committee, the APTC introduced a proposal for a differential rate structure for the movement of export grain and flour to the Ports of Halifax and Saint John.

This proposal would see transportation rates on export grain and flour to St. Lawrence River ports rise to compensatory levels. Rates to Halifax and Saint John would then be maintained at a fixed differential over the compensatory rates to St. Lawrence River ports. These rates would be determined annually by the National Transportation Agency. In addition, the proposal would be further limited so that these rates would only apply

during the time of winter closure of the St. Lawrence Seaway and would be subject to a maximum tonnage. The estimated cost of such a program is less than \$10 million annually.

Following the appearance before the Standing Committee, the proposal was submitted

to the Minister of Agriculture. At the end of the year covered by this report, Bill C-26 had not completed second reading in the House; the Saint John grain elevator had ceased operations; and no reply had been received from the Minister of Agriculture concerning the differential rate proposal.

FEED FREIGHT ASSISTANCE

In May, 1989, the Feed Freight Assistance (FFA) Review Committee released its report. The Committee had been appointed in September, 1988, by the Minister responsible for Grains and Oilseeds. The report identified a number of principles which should guide the delivery of the FFA program and made several recommendations and suggested program modifications.

The major recommendation was that a clear statement as to the meaning of the term "fair equalization of feed grain prices" be incorporated in the governing Act. The report pointed out that program beneficiaries, as well as the Review Committee itself, were regionally divided on the interpretation of the term.

The report suggested the FFA program be modified by re-balancing the assistance schedule to reflect current transportation costs; incorporating a storage component into the assistance payable in zones with waterborne grain receiving facilities; and, removing millfeeds as an eligible feed gain. A number of other suggestions were made; however, the report rejected the Atlantic Region proposal that the level of assistance to the Maritime Provinces cover 60% of freight costs.

On October 26, 1989, amendments to the FFA schedule of rates were published in Part II of the Canada Gazette. These amendments removed millfeeds as an eligible product under the regulations and adjusted the levels of assistance within the eastern region. These adjustments resulted in some destination zones receiving increases in the level of assistance while others received decreases. Within New Brunswick and Nova Scotia, the major feed consuming counties, rates of assistance were adjusted downward; while in

Prince Edward Island, all areas received an increase in the level of assistance.

As a result of strong protests over these FFA rate adjustments, on December 21, 1989, a further adjustment was made in the rates to phase in the reductions in those areas with the greatest rate subsidy. This interim measure was taken to temporarily cushion producers, with the full amount of the reductions scheduled to come into effect June 1, 1990.

In December, 1989, a National Agri-Food Policy Conference was held. As a result of the conference discussions, a number of task forces were established to address seven major issues in the development of a long term, national agri-food policy. One of these issues is transportation. A committee has been established which will analyze changes to current policies and programs related to the Western Grain Transportation Act, Feed Freight Assistance and minimum compensatory rates for canola. A report is due in the summer of 1990.

In the February, 1990, budget, the Minister of Finance announced that the Canadian Live-stock Feed Board will be closed and its functions of administering the Feed Freight Assistance program will be taken over by another government department or agency. Much of the success of the program over the years has been attributed to the independent nature of its administration by the Board. Many of those in the agriculture and feed industry feel that the Board is a vital part of the program and is necessary to ensure its long term survival and the closing of the Board in the name of deficit reduction may ultimately lead to the demise of the program.

FEDERAL SALES TAX REFORM

The federal government proceeded with plans for implementation of the Goods and Services Tax (GST) during the past year. A technical paper was released in August, 1989, followed by public hearings of the House of Commons Standing Committee on Finance.

The APTC appeared before the Committee to express several concerns with the application of a federal sales tax to transportation costs. These concerns included the possibility of tax cascading due to the application of the GST on fuel which also bears an excise tax; the administrative burden for carriers in dealing with the GST; the potential disproportionate cash flow requirements to service the GST for those firms with higher transportation costs; and, to the extent that the cost of transportation is reflected in the final price of the goods, the GST will impact disproportionately on those regions of Canada which are located farther from the major markets and sources of supply.

The report of the Standing Committee following the hearings made two recommendations dealing with transportation. These were that the domestic segment of a continuous inbound international freight movement be zero-rated; and that the government should consider integrating the excise tax on fuel into the GST should the government's financial position become more balanced.

The government introduced Bill C-62 to implement the GST for first reading in the House of Commons on January 24, 1990. The Bill completed second reading and was referred to Committee. The Committee completed its hearings on March 27, 1990.

It is the objective of the federal government to see the Bill passed by the House and referred to and passed by the Senate in sufficient time to allow for implementation by the planned date of January 1, 1991.

PRINCE EDWARD ISLAND FIXED CROSSING

The environment assessment review panel assigned to evaluate the environmental and socio-economic affects of a fixed crossing of the Northumberland Strait held public hearings in June, 1989. The panel determined that more information concerning the environmental effects of the project was required before it could reach any conclusions. The panel then requested further data from the federal government. Following receipt of the required information, the panel held final public hearings on the matter during March, 1990. Over 130 groups and individuals appeared before the six member review panel.

The APTC expressed its support for the concept of a fixed crossing at the public hearings. The results of a time cost analysis by the APTC were presented to the review panel. The analysis shows that the time cost savings to the trucking industry, which would result from the reduction

in crossing time as a result of the establishment of a fixed link, would be between \$6.9 and \$9.2 million, depending upon the value placed on the time savings for straight trucks and tractor trailers. These savings are based upon 1989 Marine Atlantic traffic statistics for the Prince Edward Island-New Brunswick service.

This savings estimate pertains only to the time cost associated with the actual ferry crossing. Additional benefits to the trucking industry would result from the opportunity for improved utilization of equipment as a result of a reduction in total travel time possible with a fixed crossing.

The review panel will prepare its report for submission to the Ministers of Environment and Public Works before the end of 1990, following which a decision will be made to proceed with the fixed crossing or not.

ARGENTIA FERRY STUDY

During 1989, the Minister of Transport commissioned a study into the merits of extending the operations of the North Sydney-Argentia ferry service beyond the present 13-week summer operating period.

The study examined three service options:

- *extended seasonal service; service extended from present 13 weeks to approximately 19 weeks, primarily a passenger service with limited freight capacity.*
- *year round freight service and seasonal passenger service; year round freight service, mainly for drop trailers, combined with the present 13-week summer passenger service.*
- *year round freight and passenger service.*

The study determined the overall marginal costs and benefits and the economic impact of each of the service extension options.

The study report concluded that the extended summer service, aimed primarily at passenger traffic, would divert only minor amounts of traffic from Port aux Basques and would not compete with other freight carriers presently serving Newfoundland. An employment loss of 2 to 5 terminal jobs at Port aux Basques would be offset by approximately 30 new jobs in the tourism sector. Marine Atlantic could expect a net revenue increase of \$.05 to \$.07 million annually. St. John's area residents would have increased travel opportunities during the extended operating period.

The second option, primarily oriented to drop trailer traffic, could, at current freight rates for the Argentia service, divert sufficient traffic from competing freight services to render their current service levels uneconomic. This would be to the detriment of overall freight service to Newfoundland. However, the report states that this effect can be mitigated by higher rate levels, which essentially would equalize costs from North Sydney to St. John's via either Port aux Basques or Argentia. Traffic diversions from competing carriers are very

sensitive to the rates charged. At fares which equalize the round trip costs, traffic would be attracted to the Argentia route for service reasons. These rates were estimated to be approximately \$800 for tractor-trailers and \$700 for drop trailers. At these rates, approximately 10% of truck traffic currently using Port aux Basques would divert to Argentia. This could result in an estimated annual revenue gain of between \$1.1 and \$2.2 million for Marine Atlantic. This option would result in a slight short term employment loss in Newfoundland. Truckers utilizing this proposed option would receive a net economic benefit of between \$0.4 and \$1.4 million.

The third option, a year round freight and passenger service, provides Marine Atlantic with additional flexibility in attracting traffic as passenger and tractor-trailer traffic would be attracted in addition to the drop trailer traffic. However, considerable care would be required in establishing rates for the freight service to attract traffic from the Port aux Basques service and not from competing freight carriers. At fares which equalize round trip costs from North Sydney to St. John's, an estimated 17% of the truck traffic currently using Port aux Basques would be expected to divert to Argentia. This would result in a net annual revenue gain of between \$3.7 to \$5.1 million, including revenues from passenger traffic. This option would result in a short term overall employment reduction in Newfoundland. The overall net economic benefit to road users is estimated to be approximately \$2 million, as a result of the operation of a year round freight and passenger service via Argentia.

The report made no specific recommendation to the Minister favouring one option over another.

The APTC is concerned that the establishment of a year round freight service via Argentia may divert traffic from competing carriers resulting in a reduction in their individual services. Such an event could have the result of reducing service to Newfoundland as a whole.

LABRADOR TASK FORCE REPORT

The Labrador Service Task Force was established in 1986 in response to complaints received from local residents and as a result of a concern that the annual contract payment was high for the volume of traffic carried. Also, the

future direction of the coastal service and possible modernization of the system were to be studied. The objectives of the Task Force were to recommend immediate improvements to operational procedures and to make recommendations to meet

the forecast long term needs of the service, plus an examination of a proposal for an additional ferry to operate between St. Anthony and Goose Bay.

Early in the process, the Task Force recommended a number of improvements in operating procedures and organization which were implemented and resulted in a decrease in the complaints being received. The report of the Task Force was released in January, 1990, and contained a number of conclusions and recommendations.

The report concluded that the vessel "*Sir Robert Bond*" is operating at capacity for freight and that its passenger facilities are unsuitable. This vessel should be completely refurbished for passengers and its freight capacity supplemented by an additional vessel or it should be replaced by a more suitable vessel. As well, the report concluded that freight service could be accommodated by two vessels if all freight were handled at one main island terminal and high speed combination ro/ro vessels were utilized. Also, freight service to Goose Bay should be provided for unitized freight only. In addition, the report concluded that freight rate levels to coastal com-

munities were too low and therefore encouraged irrational shipping decisions.

In its recommendations, the Task Force outlined a rationalized fleet of five vessels, including two new vessels for the 1991 season. Also recommended was an upgrading of the Lewisporte terminal facilities and the establishment of Lewisporte as the exclusive island terminal for Labrador coastal operations. Modifications were also recommended for the Goose Bay terminal to improve efficiency and meet traffic growth requirements. The acquisition of additional freight handling equipment over a ten-year period was also recommended.

The Task Force also recommended a number of changes to the structure and level of freight rates and charges including: rates for general freight to and from coastal communities be doubled; tariffs for breakbulk freight between the island and Goose Bay be cancelled; project rates and pulpwood rates should provide full operating cost recovery; and heavy equipment should only be accepted for transport when it can be done without disrupting service for shipments of conventional supplies.

NATIONAL HIGHWAYS POLICY STUDY FOR CANADA

Phase I of the National Highways Policy Study, completed in September, 1988, proposed a National Highway System (NHS), documented its current condition and proposed minimum design and operational standards. Phase II of the study evaluated the costs of bringing the NHS up to minimum standards and reviewed the benefits and impacts on highway users and the economics of such an upgrading. Phase II also reviewed current spending on highways and documented the revenues collected by governments from highway related usage. The report on Phase II of the study was released in January, 1990.

The Phase II report points out that approximately 26% of all vehicle travel in Canada takes place on the NHS. In the Atlantic Provinces, Newfoundland has 45% of all travel on the NHS, New Brunswick 30%, Nova Scotia 23% and Prince Edward Island 20%. Nationally, Newfoundland and New Brunswick are first and second respectively among the ten provinces.

In total, 38% of the NHS was found to be inadequate against minimum standards of geometric design, serviceability, structural strength or riding comfort. Total road related expenditures, in actual dollars, for the five-year period 1983 to 1987 amounted to approximately \$24.4 billion, of which 95% was provincial government spending and 5% federal expenditure. Road related revenues were approximately \$33.3 billion, of which 66% was provincial revenue and 34% federal revenue from sales and excise taxes. Federal revenues derived from fuel taxes have more than doubled between 1983 and 1987, while provincial fuel tax revenues remained fairly constant over the period.

The Phase II report outlines two scenarios to bring the NHS up to acceptable standards. The first scenario would consist of expenditures for pavement, structural or serviceability deficiencies to upgrade the NHS to minimum acceptable standards. Under this scenario, the capital costs

for highway improvements to the national system would be approximately \$12.7 billion. The estimated costs for this work in the Atlantic Provinces are \$2 billion in New Brunswick, \$751 million in Nova Scotia, \$88 million in Prince Edward Island and \$278 million in Newfoundland and Labrador.

The second scenario consists of improvements to meet minimum standards and completion of a continuous four lane route across Canada. The total estimated cost of this scenario is \$17.5 billion. Currently about 40% of the cross Canada route is four lanes or better.

The benefits to highway users from such improvements would come from increased safety, lower vehicle operating costs and travel time savings. Other general economic benefits would come from enhanced competitiveness for Canadian firms, additional employment in the highway construction sector over the ten year upgrading period and increased tourism potential.

The Phase II study concluded that, with effective pre-planning, good management and careful financing, a national highway program could be successfully implemented in Canada.

The third phase of the study, to be completed in 1990, will establish funding alternatives

for meeting the costs, with a view towards recommending adoption of this policy by governments.

In March, 1990, the APTC responded to a request from the study group for comments on the study, the importance of transportation and funding choices in relation to the NHS. The critical importance of transportation and transportation costs to shippers, producers, manufacturers and the economy of the region as a whole were outlined to the study group. The role of the highway system and the increased burden expected as a result of railway abandonments, the free trade agreement and increased economic activity were pointed out. The APTC cautioned that any increased taxes or tolls on highway users could negatively impact on the competitive position of the Atlantic Provinces' firms. While the APTC also recognized the contribution of the federal government to highway construction in the Atlantic Region in recent years, it was stressed that the federal government must continue to bear a significant responsibility towards the funding of the needed highway improvements in the Atlantic Provinces to ensure that the necessary construction is carried out in a timely manner, bearing in mind the limited financial capability of each of the Atlantic Provinces.

NOVA SCOTIA SURFACE FREIGHT TRANSPORTATION STUDY

A major study, entitled "*Surface Freight Transportation: Alternatives Into the 21st Century*", was completed for the Nova Scotia Department of Transportation in 1989 by Peat Marwick Consulting Group. The purpose of the study was to assess and analyze surface freight alternatives in order to assist the Province of Nova Scotia in formulating policies which will provide for the needs of Nova Scotia shippers, receivers and motorists into the 21st century.

The study makes a number of observations on the current trends in transportation in Nova Scotia and several recommendations for government policy direction.

It points out that trucking has emerged as the dominant mode of freight transportation in North America. Its growth has been largely at the expense of the rail mode for a number of reasons,

including trucking's ability to provide the high service levels required by shippers. The study goes on to state that the trucking industry enjoys a competitive advantage because road infrastructure is provided by the public sector with comparatively low cost recovery in terms of motor carrier user charges. At the same time, all of the rail lines in Nova Scotia are under-utilized and increased highway traffic creates a requirement to upgrade the highway system.

According to the study, trucking companies serving Nova Scotia have been reasonably profitable, although average freight rates have decreased in recent years. User charges paid by Nova Scotia-based common carriers, expressed as a percentage of total operating costs, have actually decreased from 6% in 1975 to 4% in 1986. Road user charges in Nova Scotia cover approximately

two-thirds of the total capital and operating costs of the provincial road network.

The study also found that the Nova Scotia rail network has been effectively reduced to two rail lines operated by CN Rail; the Halifax-Moncton line and the Truro-Sydney line. The Truro-Sydney line is in the break-even situation, while the Halifax-Moncton line is reasonably profitable. A number of recent and probable future events lead to the conclusion that the Truro-Sydney line will be abandoned despite certain shippers' dependence on the line.

In conclusion, the study found that the continuing decline of the rail mode is not in Nova Scotia's best interests, even though the truck mode continues to expand and provide good service. The report suggested that Nova Scotia take steps to preserve the Truro-Sydney rail line; enhance the viability of rail operations; support the expansion of domestic intermodal service; and, provide highway funding sufficient to meet the province's needs.

The study made recommendations dealing with the preservation of the Truro-Sydney rail line; revisions to highway finance policies; modifications to the present structure of road user charges; the establishment of a rail intermodal terminal in Halifax; the encouragement of

road/rail cooperation; reductions in carrier costs; and, encouragement of greater provincial and federal policy cooperation.

This study established a base of information from which transportation policy and planning decisions will be made. The study, along with research on highway maintenance, upgrading and funding sources and alternatives, will be used to develop a long-range plan for Nova Scotia's transportation network. As part of this overall planning process, the Nova Scotia Minister of Transportation held a series of public information meetings in January and February, 1990. The meetings were held to present the findings of the study and receive public comment on the study and transportation issues in Nova Scotia.

The APTC commends the Province of Nova Scotia for undertaking this long-range planning process. The APTC is of the opinion that there is a lack of planning and strategy, at both the federal and provincial levels, to ensure the future transportation needs of Canada are met in the most effective way. The APTC is of the view that the governments of the other Atlantic Provinces and the federal government should analyze future freight transportation requirements and alternatives to facilitate meaningful strategic planning into the 21st century.

AN INTERNATIONAL MARINE CENTRE FOR MARITIME COMMERCE

A document entitled, "*Vancouver, An International Centre for Maritime Commerce*", prepared by Jonathan Seymour & Associates for the Asia Pacific Initiative (API), which was released during the past year, calls for changes in Canadian tax laws to remove what is reported to be a major impediment to attracting "mind and management" in the world shipping industry from locating in Canada.

In essence, the API proposal calls for a tax exemption on vessel earnings on international voyages which, according to the supporting documentation, would result in a net gain in Canadian tax revenue. The rationale for this is that Canada presently generates very little tax revenue from international shipping and would gain new revenue from the establishment of shipping management activities in Canada. While the report points out that Vancouver is well poised to

benefit as an international shipping centre because of its strategic location in relation to the Pacific and Far East, and particularly so in attracting Hong Kong shipping interests, this would not preclude eastern centres such as Montreal and Halifax from generating similar activities on a smaller scale.

A number of organizations in Canada, including the APTC, communicated their support of the API proposal to the Minister of Finance. In the representations of the APTC, it was pointed out that the proposal represents an opportunity to attract new economic activity to Canada, along with the additional advantage of strengthening the country's expertise and interest in international shipping. In the position paper, it was made clear that the APTC does not support any form of public subsidy, cargo sharing or preferential treatment in the field of international shipping.

SERVICE TO INDUSTRY

Under the APTC's mandate to assist business and industry in the Atlantic Provinces with transportation matters, the APTC provides a wide range of assistance on such matters as rates and service information, expertise in rate negotiations, information on the subsidy programs, carrier's liability, transportation regulations, rail abandonment procedures and private truck costing, to name a few. Much of this type of work is of a very specific nature and, to a significant degree, confidential. Accordingly, detailed coverage in this report is not possible. Nevertheless, to give an indication of the broad range of matters dealt with in the past year, the following information is provided.

As in previous years, the preparation of extensive tabulations of freight rates for particular industry groups were undertaken at regular intervals to reflect rate changes. Rate tabulations on **potatoes** from New Brunswick and Prince Edward Island to Ontario and Quebec were distributed to the potato industry. Similar statements were prepared for the feed industry on inbound **feed and feed ingredients** from Central and Western Canada, as well as for the **peat moss** industry and the **fertilizer** industry.

A number of inquiries were received from both industry and carriers on such topics as transport of dangerous goods, carrier's liability, terms and conditions of carriage, as well as the handling of loss and damage claims. While the APTC does not function as an arbitrator in these matters, the large base of technical information in the APTC's library and the knowledge of the staff was put to good use in these matters.

Additional commodity coverage for the westbound selective assistance program was extended to include nine new commodities in December of 1989. The APTC assisted shippers in making their presentations for most of these additional commodities. A large number of inquiries were received for information relating to the application of the Atlantic Region Freight Assistance Program from both shippers and carriers.

A number of regional industrial development commissions and various government departments of the Atlantic Provinces requested

information in the past year on many transportation matters from cost and location analysis to government policies and regulations.

In response to a number of requests from companies shipping a wide range of commodities throughout the region, the APTC prepared a variety of freight rate statements covering the various modes of transportation.

The APTC conducted an extensive private truck cost analysis on behalf of a Maritime **bakery**.

An extensive analysis of transportation options for a major public utility was prepared by the APTC.

A New Brunswick **food** company asked the APTC to check their rates for competitiveness. Our comparison showed their rates as being significantly higher than other published rates which provided them with a major tool for negotiation with the carriers.

An historical comparison of **feed** rates from Central Canada was prepared for a New Brunswick feed company.

A Newfoundland marketing board was provided with a statement of published rates from various origins to Newfoundland to enable it to assess competitive products in the market.

A potential Newfoundland manufacturer of **motors** was provided with an extensive statement of freight rates from Newfoundland to Central Canadian and United States destinations.

A Prince Edward Island marketing commission was provided with a five-year history of rates for its product from Prince Edward Island to Central Canada to assist it in assessing current transportation costs for its product.

At the request of a Prince Edward Island **food processor**, the APTC analysed their freight bills and made several suggestions for potential freight cost reductions in their future shipments.

The APTC provided a Nova Scotia company with a statement of rates on **confectionery** from the Maritimes to Central Canada.

Assistance was extended to a Nova Scotia farm cooperative to ensure the continued application of statutory rail rates on inbound shipments of **feed ingredients**. An agreeable arrangement resulted for both the shipper and the carrier.

The APTC provided a Prince Edward Island **fertilizer** company with a comparison of rail carload rates on inbound fertilizer ingredients to Prince Edward Island and Nova Scotia.

A Prince Edward Island **hardware** company requested the assistance of the APTC in comparing their rates and giving them suggestions on rate negotiations.

Ocean rate quotes were obtained from various steamship lines on behalf of a number of shippers from all four Atlantic Provinces.

MEETINGS AND CONFERENCES

In addition to being a member and participating in regular meetings of the Transportation Committees of several regional trade organizations, the following summarizes the

APTC's participation in meetings and conferences during the past year where an address, prepared report, or a specific leadership role was involved:

Table 10

<u>Date</u>	<u>Conference/Meeting/Organization</u>	<u>Nature of Participation</u>
<u>1989</u>		
April 4	NB Chamber of Commerce	Panel Chairman
April 12	New Exporters to Border States (Mission) Workshop	Presentation
May 12	CFIA/AD Annual Meeting	Report
May 29	APCC Annual Meeting	Report
June 8	Maritime Lumber Bureau Annual Meeting	Address
September 6	New Exporters to Border States (Mission) Workshop	Presentation
September 21	CFIA/AD Semi-Annual Meeting	Report
October 11	UNB Transportation Seminar	Address
October 17	New Exporters to Border States (Mission) Workshop	Presentation
October 26	NB Community College (Dieppe) Transportation Program	Address
October 30	Atlantic Concrete Read-Mix Association	Address
November 15	New Exporters to Border States (Mission) Workshop	Presentation
December 6	Federal Transportation Council	Address
December 11	Purchasing Management Association of Canada/Atlantic Division	Presentation
December 14	Pictou County Economic Development Fund Exports Workshop	Address
<u>1990</u>		
January 29	Atlantic Farmers' Council Annual Meeting	Panelist
March 5	Dalhousie University Graduate Transportation Program	Address
March 16	Atlantic Universities Purchasing Managers' Association	Presentation

OTHER ACTIVITIES

Despite the continuing decline in the number of publicly available published tariffs, the APTC issued 3,506 *Rate Advices* during the past year, an increase of almost 25% from the previous year. The role of advising the shippers of Atlantic Canada of rate changes remains an important part of the mandate of the Commission.

The monthly newsletter "*Tips & Topics*" continues to be published, with an average circulation of 3,163 copies. The addition of desktop publishing gave the newsletter a cleaner, more professional look.

The Commission maintains a close association with a number of organizations both within and outside the Atlantic Region. Specifically, liaison is maintained with the Atlantic Divisions of the Canadian Manufacturers' Association, New Brunswick Potato Shippers' Association and the Prince Edward Island Potato Marketing Commission. The APTC is a member of the Transportation Committees of the Annapolis Valley Affiliated Boards of Trade, Halifax Board of Trade; Canadian Feed Industry Association (Atlantic Division); Maritime Lumber Bureau; Nova Scotia Forest Products Association; Transportation Sector of the Voluntary Planning Group of Nova Scotia; and, the Transportation Committee of the Saint John Board of Trade.

Membership is maintained in such organizations as the Atlantic Provinces Chamber of Commerce; Canadian Port Development Forum; Canadian Shippers' Council; Canadian Transportation Research Forum; Greater Moncton Chamber of Commerce; and various transportation clubs throughout the region. The General

Manager is a member of the Canadian Chamber of Commerce Transportation Committee and the Maritime Regional Advisory Council (on port matters), as well as being a Director of the Canadian Shippers' Council.

This continued membership in various organizations has enabled the APTC to maintain a strong presence and provide knowledgeable assistance to the business community. In addition, many companies, government agencies, organizations and individuals have utilized the APTC's library and file information in preparing reports on transportation matters.

The APTC continued to offer assistance to Atlantic Canadian companies dealing with the federal government. Such issues included; guiding companies through the process of obtaining eligibility for selective westbound assistance, Carriage of Goods by Water Act, termination of the "At and East" subsidy, and the proposed Goods and Services Tax. In addition, the APTC was in the vanguard to protect the Atlantic Region Freight Assistance program rumoured to be cut under the April, 1989, budget.

The Commission represented the concerns of Atlantic Canadian shippers to many large carriers on such matters as rates, service, dangerous goods regulations and loss and damage claims.

The APTC published the twelfth edition of the "*Directory of Ocean Shipping Services Between the Ports of Halifax - Saint John and World Ports*". The many improvements in this edition have evoked a number of positive responses from the shipping community.

COMMISSION DIRECTORS

During the past year, there were three new appointments to the APTC Board of Directors to fill vacancies in New Brunswick and Prince Edward Island. At year end, one vacancy to be appointed by the Government of Nova Scotia remained to be filled. Changes during the past year are highlighted below.

Mr. Norman Clarey of Montague, PE, completed his term of office as a Director in May, 1989. Mr. Clarey served on the Board for six years, having been appointed by the Atlantic Provinces Chamber of Commerce (APCC) in 1983. He was replaced by **Mr. Gordon Ching** of Black Pond Farms Ltd., Souris, PE.

Mr. William English of Montreal, PQ, resigned from the Board in the spring of 1989 due to other commitments. Mr. English had been ap-

pointed by the APCC in June, 1988, for a two-year term. **Mr. Tom Millar**, President, PCL & Eastern Packaging Ltd., Saint John, NB, was appointed by the APCC in June of 1989 to complete the remaining one-year term of office.

Mr. Michael Street, formerly of Bathurst, NB, and currently residing in Fredericton, NB, resigned from the Board in June of 1989. Mr. Street served on the Board for three years, having been appointed by the Government of New Brunswick in 1986. **Mr. David Kenny** of Kenny Ready Mix Limited, Bathurst, NB, was appointed to the Board in October, 1989, by the New Brunswick Government to fill this vacancy.

Sincere thanks and appreciation is extended to the former Directors for their contribution to work of the APTC.

STAFF CHANGES

On August 25, 1989, following roughly 25 years of service with the APTC, Lorne M. Mitton, Manager, Administration and Special Projects, resigned from the APTC to take up a position with the National Transportation Agency of Canada's regional headquarters in Moncton. Mr. Mitton now holds the position of Acting Chief, Transportation and Regional Development, for the Agency. Mr. Mitton began his career with the former Maritimes Transportation Commission in February, 1965, as Traffic Analyst. In the ensuing years, he advanced through a number of senior positions leading up to his appointment as

Manager, Administration and Special Projects, in February, 1988. Mr. Mitton established an excellent rapport with both shippers and carriers alike and is highly respected for his thorough and capable work in the field of transportation.

Peter A. Vuillemot, formerly Transportation and Distribution Officer, was appointed to the position of Assistant General Manager effective October 1, 1989, to fill the vacancy created by Mr. Mitton's resignation. The position of Transportation and Distribution Officer remained vacant at the conclusion of the year pending the completion of a search for a qualified candidate.

ACKNOWLEDGMENTS

The Chairman, Directors and General Manager express to the governments of the four Atlantic Provinces sincere thanks for both the financial support received and the personal cooperation 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 APTC's work, 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 Chairman 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 cooperation 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.

The success of the APTC's work during the year is due, in no small measure, 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 General Manager express their thanks to this dedicated management group.

Finally, without a loyal and dedicated staff, the APTC's work would not achieve for business and industry the success that it does. The APTC is indeed fortunate to have such a staff. To them, the Chairman and General Manager extend sincere thanks for discharging their duties in a conscientious and efficient manner.

All of which is respectfully submitted.



Brian K. Wentzell
Chairman



Ramsay M. S. Armitage
General Manager

