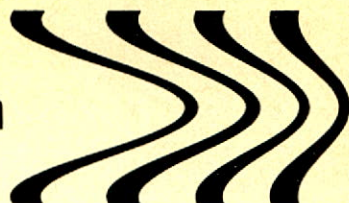


TRANSPORTATION
REVIEW
AND
ANNUAL REPORT

. . . 62nd Year of Service

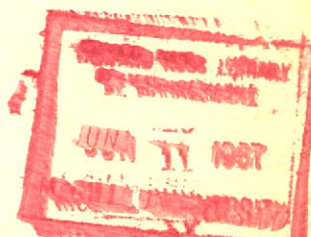
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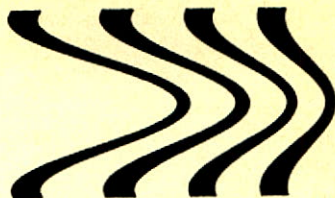
Atlantic Provinces Transportation Commission



TRANSPORTATION REVIEW AND ANNUAL REPORT FOR THE YEAR ENDED MARCH 31, 1987

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 and Newfoundland.





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

Tel. (506) 857-2820
Telex 014-2842

Honourable Guy LeBlanc
Minister of Transportation
Province of Nova Scotia
Halifax, NS

Honourable Ronald Dawe
Minister of Transportation
Province of Newfoundland
St. John's, NF

Honourable Robert McCready
Minister of Transportation
Provinces of New Brunswick
Fredericton, NB

Honourable Robert Morrissey
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, 1986, to March 31, 1987. 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 1986-87.

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.

George Key
Chairman

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APTC DIRECTORS AS AT MARCH 31, 1987

NOVA SCOTIA

Government

G. T. H. Cooper, Q.C.

Halifax, NS

D. J. MacDougall

Halifax, NS

I. Parker

Truro, NS

Atlantic Provinces Chamber of Commerce

K. G. Anderson

North Sydney, NS

E. L. Dillman

Hantsport, NS

C. A. Meisner

Liverpool, NS

NEW BRUNSWICK

Government

F. H. Hatfield

Hartland, NB

D. L. Johnson

Fredericton, NB

M. D. Street

Belledune, NB

Atlantic Provinces Chamber of Commerce

E. S. Bailey

Edmundston, NB

F. Beairisto

Fredericton, NB

E. M. S. Fisher

Sackville, NB

PRINCE EDWARD ISLAND

Government

K. A. MacKenzie

Charlottetown, PE

D. A. Scales

Charlottetown, PE

Atlantic Provinces Chamber of Commerce

N. Clarey

Montague, PE

G. Key

Summerside, PE

NEWFOUNDLAND

Government

H. M. Noel

Grand Falls, NF

E. J. O'Brien

St. John's, NF

Atlantic Provinces Chamber of Commerce

B. K. Wentzell

Corner Brook, NF

S. R. Winter

St. John's, NF

ALSO

President, Atlantic Provinces Chamber of Commerce

STAFF

Craig S. Dickson, General Manager

Ramsay M. S. Armitage, Assistant General Manager

Lorne M. Mitton, Transportation & Distribution Officer

(Vacant), Senior Traffic Analyst

Peter A. Vuillemot, Assistant Transportation & Distribution Officer

Dale V. Ronalds, Traffic Analyst

Sheldon B. Steeves, Assistant Traffic Analyst

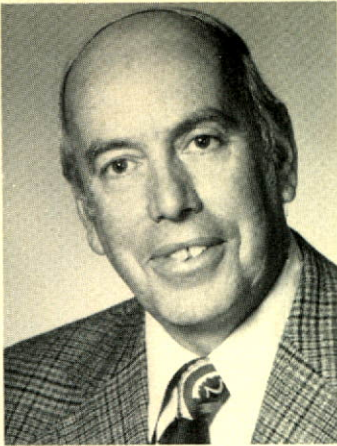
Debbie E. Matchett, Assistant Traffic Analyst

Charles D. Mollins, Research Officer & Accountant

Mona Savoie, Senior Tariff Clerk

Cathy Peters, Staff Secretary

Susan Wilson, Assistant Staff Secretary



GEORGE KEY

Chairman

President

JO-EL Investments Ltd.

Summerside, PE



GEORGE T. H. COOPER, Q.C.

Vice-Chairman

McInnes, Cooper & Robertson

Halifax, NS

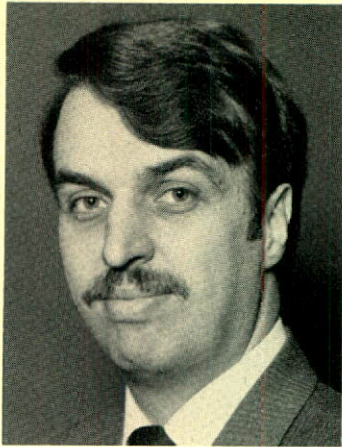


E. S. BAILEY

**Vice-President of Purchasing,
Transportation & Stores**

Fraser Inc.

Edmundston, NB



D. L. JOHNSON

Transportation Policy Officer

Province of New Brunswick

Fredericton, NB



D. J. MacDOUGALL

Director, Transportation Policy

Province of Nova Scotia

Halifax, NS



K. A. MacKENZIE

Director, Transportation Division

Province of Prince Edward Island

Charlottetown, PE



E. J. O'BRIEN

Director of Transportation

Province of Newfoundland

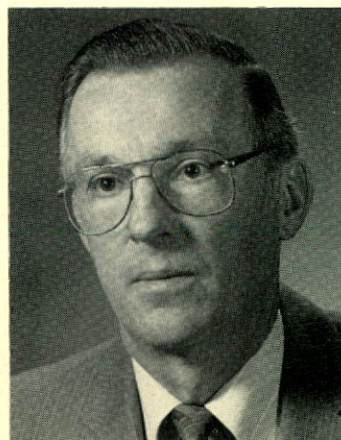
St. John's, NF



Brian K. Wentzell

Poole, Althouse, Clarke,
Thompson & Thomas

Corner Brook, NF



C. S. DICKSON

General Manager

Moncton, NB

COMMISSION STAFF



Left to Right: seated - Lorne Mitton, Craig Dickson, Ramsay Armitage; standing - Charles Mollins, Mona Savoie, Dale Ronalds, Susan Wilson, Sheldon Steeves, Debbie Matchett, Peter Vuillemot, Cathy Peters

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 Atlantic Provinces, individually or collectively, pertinent to the assessment or formulation of transportation policy;
- (8) To assist the Atlantic Provinces, individually or collectively, in the preparation and presentation of submissions and representations to the federal government or its agencies;
- (9) To continually review the transportation system serving the region and, where required, make recommendations to the provincial governments for improvements in the system whether it be public or private;
- (10) To make representations to the provincial governments, subject to the approval of the Directors of the Commission; and,
- (11) To make such public statements or 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, Telex 014-2842.

GENERAL TRANSPORTATION REVIEW

Introduction

In the year 1986-87, legislation was tabled in the House of Commons to implement the major changes in National Transportation Policy which had appeared in 1985 as principles in the federal paper "Freedom to Move". The year saw the addition of two new commuter-type air carriers, Air Bras d'Or and Air Nova, joining Air Atlantic in serving the Atlantic Region. A new, modern and larger ferry was introduced on the North Sydney/Port aux Basques route. CN Rail opened its intermodal terminal in Moncton as the shift of traffic from rail car to highway or rail intermodal equipment accelerated. Changing world shipping conditions saw a number of changes in ocean lines serving the Atlantic ports. These and other transportation developments and statistical data are presented in the pages that follow.

Rail

Rail carloadings for the nation decreased slightly in 1986 as shown in the table below (figures for the Atlantic Provinces are not available).

RAILWAY CARLOADINGS

(Tonnes X'000)

	<u>1986</u>	<u>1985</u>	<u>% Change</u>
Carload Traffic Loaded	237,012	#237,874	-0.4
Non-Carload Traffic Loaded	32	40	-20.0

Revised figure

Source: Statistics Canada Railway Carloadings
December, 1986, Catalogue 52-001

Financial results of Canadian National Railways and Canadian Pacific Limited, as taken from the companies' Annual Reports, for transportation related services are as follows:

CANADIAN NATIONAL RAILWAYS

(In Millions \$)

	<u>1986</u>	<u>1985</u>
System Net Profit (loss)	(86.3)	117.6
Income From Divisions Before Taxes:		
CN Rail	(11.2)	105.5
CN Route	(71.0)	(42.6)
TerraTransport	(41.3)	(39.9)

CANADIAN PACIFIC LIMITED

(In Millions \$)

	<u>1986</u>	<u>1985</u>
System Profit (loss)	(80.3)	252.7
Net Income - Transportation	93.3	108.4
Income From Divisions Before Taxes:		
CP Rail	119.4	133.4
CP Ships	0.1	(19.1)
CP Trucks	7.3	2.8

Payments received to December 31, 1986, by both major railways under terms of the National Transportation Act, in respect of the maintenance of uneconomic branch lines which are required to be maintained in the public interest are outlined below:

**SUBSIDIES PAID TO CANADIAN NATIONAL RAILWAYS
AND CANADIAN PACIFIC LIMITED UNDER TERMS OF THE
NATIONAL TRANSPORTATION ACT IN RESPECT OF YEAR 1985**

(Payments to December 31, 1986)

	<u>Canadian National Railways</u>		<u>Canadian Pacific Limited</u>	
	<u>Claimed</u>	<u>Paid</u>	<u>Claimed</u>	<u>Paid</u>
<u>Sections 256 and 258 of the Railway Act</u>				
In respect of uneconomic branch lines	\$12,403,537	\$10,479,775	\$7,493,140	\$4,742,768

Source: Canadian Transport Commission, Twentieth Annual Report

A breakdown of the subsidies paid for uneconomic branch lines on a regional basis is shown below:

**PAYMENTS TO CANADIAN NATIONAL RAILWAYS
AND CANADIAN PACIFIC LIMITED UNDER TERMS OF THE
NATIONAL TRANSPORTATION ACT IN RESPECT OF YEAR 1985**

(Payments to December 31, 1986)

	<u>Atlantic Provinces</u>	<u>Central Canada</u>	<u>Western Canada</u>
Canadian National Railways			
Section 256 (unprotected branch lines)	\$4,180,952	\$2,607,018	\$1,069,477
Section 258 (protected branch lines)	Nil	Nil	2,622,328

	<u>Atlantic Provinces</u>	<u>Central Canada</u>	<u>Western Canada</u>
Canadian Pacific Limited			
Section 256 (unprotected branch lines)	\$ 127,702	\$3,151,109	\$ 997,424
Section 258 (protected branch lines)	<u>Nil</u>	<u>Nil</u>	<u>466,533</u>
Totals	<u>\$4,308,654</u>	<u>\$5,758,127</u>	<u>#\$5,155,762</u>

Under the Western Grain Transportation Act, provision is made for the designation by the CTC of uneconomic rail lines in Western Canada as "grain dependent lines" and, upon the designation of any such lines, compensation to the railways is provided under the Western Grain Transportation Act rather than under Section 258 of the Railway Act. The designation of "grain dependent lines" has resulted in a significant reduction in subsidy payments under the Railway Act. At the same time, total payments under the Western Grain Transportation Act increased in 1986 to \$671,869,000 from \$495,456,000 the year previous.

Source: Canadian Transport Commission, Twentieth Annual Report
Payments Only

The CTC decision of February 14, 1986, requiring CN to increase certain of its TerraTransport container rates which the CTC found to be non-compensatory was appealed by the Province of Newfoundland to the Review Committee of the CTC. No further action on this appeal occurred during the year covered by this report.

Canadian National opened its new Maritime Intermodal Terminal in Moncton, NB, during 1986. The terminal is designed to combine the pick-up and delivery flexibility of trucks with long-haul efficiencies of rail transportation. The terminal spans 22 acres with accommodations for 150 trailers and has two large top-loaders each with a lifting capacity of 90,000 lbs.

A six-month test by CN Rail in conjunction with Halterm Container Terminal on the concept of double-stacking containers on the CN clipper train between the Port of Halifax, NS, and Toronto, ON, was completed in 1986. Although the final report has not been made public, spokesmen for CN indicate that double-stacking is not practical at this time in the given environment of a mixture of 20 foot and 40 foot containers with a wide variety of weights, container heights and destinations, which slowed and complicated the sorting process so that any potential savings of double-stacking were never realized. It would appear that, for double-stacking to be practical, a much larger volume of 40 foot containers would be required.

In June, 1986, the federal Minister of Transport announced a four year \$48.6 million transportation package for Newfoundland designed, among other things, to maintain and improve the railway in Newfoundland. Fifteen million dollars will be allotted for completion of the program to convert freight moving in rail cars to more efficient containers and to provide assistance to some specialty shippers to make the switch to containers. Twenty million dollars will go to enhance safety and reliability through improvements to bridges, culverts and roadbeds, and for equipment modification. The remaining money is to assist the Newfoundland dockyard.

Highway

During 1986, Canadian National completed the sale of its wholly-owned trucking subsidiaries, including Transport Route Canada Inc. and certain portions of Canadian National Transportation Limited, to private investors "Route Canada Holdings Inc.". The new investors are operating as a nation-wide trucking company under the name "Route Canada".

A 600 kilometre highway between Labrador City, NF, and Baie Comeau, PQ, was completed during 1986 with the opening unofficially scheduled for June of 1987. It provides an alternate travel link between Labrador and the Province of Quebec, previously only served by train between Labrador City and Sept Isles, PQ, or by air travel. Highway travel from Quebec to eastern Labrador points will not be possible until completion of the Trans-Labrador Highway scheduled for the early 1990's which will provide a direct link between Happy Valley-Goose Bay and Labrador City.

The Canadian Vehicle Safety Alliance (CVSA) Roadside Inspection program was inaugurated in the Province of Newfoundland on February 15, 1987. The program conducts random visual inspections of critical equipment components on all commercial vehicles weighing in excess of 4,500 kgs (except buses and dump trucks) for the purpose of ensuring public safety on provincial highways. The CVSA inspections are conducted by qualified mechanics in conjunction with inspectors of the Public Utilities Board at random intervals from various locations throughout the province. Vehicles meeting the inspection criteria are issued a windshield sticker valid for a three-month period. Vehicles failing the inspection may be issued warnings, re-inspection orders, designated as out-of-service or issued legal citations carrying monetary fines.

Pole Star Transport Inc. signed a marketing and interline agreement with Consolidated Freightways of California, effective October 13, 1986. The agreement enables Pole Star to offer through service to all the continental United States and makes it Consolidated Freightways' representative in the Maritime Provinces.

During the year under review, Maritime-Ontario Freight Lines Limited began marketing a 39 hour delivery service from the Port of Halifax, NS, to the Toronto, ON, area. The intermodal service is designed to accommodate containers on chassis under a port-to-door all inclusive rate. After unloading at destination, the container is returned to the starting point.

A new expedited highway service called "Prime Time" was introduced by Midland Transport Ltd. during 1986-87. The service is available from Toronto, ON, and Montreal, PQ, to all Maritime points served by Midland Transport. On-time delivery is guaranteed or 100% of the freight charges are credited to the customer's account. Next day service is offered from Montreal to New Brunswick, while Prince Edward Island and Nova Scotia receive second day service. Service from Toronto to all destinations is second day. The service is prepaid or collect, with no size or weight restrictions.

In May, 1986, Day & Ross Air Freight entered into an agreement with Sagawa Express Group of Japan which was basically designed to provide a door-to-door service between points in Canada and Japan rather than an airport-to-airport approach. Also during the year, Day & Ross Air Freight announced the opening of a Seattle, WA, office to provide domestic United States, transborder and international air freight capabilities.

Air

During the year under review, Pacific Western Airlines Corp. purchased Canadian Pacific Air Lines Ltd., thereby creating a network large enough to rank among the world's top 25. The purchase also includes the assets of Eastern Provincial Airways and Nordair, both purchased since 1984 by CP Air. The new operation has been renamed Canadian Airlines International Ltd. (CAIL) and will fly to five continents, employing a fleet of 81 aircraft. CAIL plans to add at least six wide-bodied jets to its major domestic routes in central and western Canada by the spring of 1988.

Air Canada added two routes to its freighter service during April of 1986. A flight which originates in Toronto, ON, with stops at Montreal, PQ (Mirabel), Halifax, NS, and St. John's, NF, now stops at Goose Bay, Labrador, once a week in summer and twice a week during winter months before returning to Toronto. The second new route provides a direct freighter service between Halifax, NS, and Europe with stops in London and Brussels.

CP Air discontinued its jet service to Stephenville, NF, during 1986. Air Atlantic continues to serve Stephenville, NF, with turbo prop flights from and to Atlantic Canada, and CP Air continues to provide jet service to Labrador points from Deer Lake, NF. Air Canada also provides service between Stephenville, NF, and other Canadian provinces.

During 1986, Air Nova and Air Atlantic, the two regional airlines in Atlantic Canada which in 1986 commenced a feeder service for Air Canada and Canadian Pacific Airlines respectively, applied to the Canadian Transport Commission (CTC) for permission to provide an air service between Yarmouth, NS, and Boston, MA, and between Saint John, NB, and Boston, MA. These routes are presently served by Air Canada which has expressed some interest in dropping these intermediate points, while maintaining direct flights between Halifax, NS, and Boston, MA. The CTC has invited applications from all interested carriers to service these routes, with one carrier or combination of carriers to be awarded authority. No decision has been announced at year end.

Applications made or dealt with by the CTC during 1986-87 to provide a commercial air service to points in Atlantic Canada include:

- An application in 1985-86 by Hummingbirds Ltd. of Moncton, NB, to provide air service between points in the Maritimes was rejected during 1986. In its decision, the CTC ruled that adequate air service was already being provided within the region.
- Air Montreal applied to provide jet service between Halifax, NS, Montreal, PQ, and Toronto, ON. Two flights daily using 120 seat Boeing 737 jet aircraft have been proposed. CTC authority has been granted but service had not commenced at year end.
- Canadian Pacific Airlines applied for permission to provide non-stop air service between St. John's, NF, and Toronto, ON, during 1986. CTC authority has been granted but service had not commenced at March 31st.

- Air Bras d'Or Limited has applied for authority to provide a regular commercial air service to Bathurst, NB. It is currently licensed to serve Digby, Halifax and Sydney, NS; Charlo, Fredericton, Moncton, Saint John and St. Leonard, NB; and Charlottetown, PE. A CTC decision has not been announced yet.

Air Canada reported a profit of \$40.4 million for 1986 as compared with a net loss of \$14.8 million during 1985. National passenger traffic increased by 1%, with cargo volumes increasing by 9%. Separate totals for Atlantic Canada are not available.

The following table shows the operational statistics for Air Canada during the year under review. (Figures for Canadian Pacific Air Lines, Air Atlantic and Air Nova are not available.)

AIR CANADA

	<u>1986</u>	<u>1985</u>	<u>Percent Change</u>
Revenue Passengers Carried	11,300,000	11,200,000	+0.9%
Revenue Passenger Miles (X'000)	14,425,000	14,130,000	+2.1%
Revenue Ton Miles (X'000)	581,000	534,000	+8.8%
Passenger Load Factor	67.7%	65.2%	+3.8%
Net Income (Loss) After Taxes	40,398,000	(14,821,000)	+372.6%

Source: Air Canada

Marine

Canada Ports Corporation ports in Atlantic Canada recorded a healthy overall increase in traffic of 15% for 1986. Saint John had large increases in bulk shipments of petroleum, potash, grain, woodpulp and forest products, with container traffic falling sharply due to the loss of certain container lines. Halifax, meanwhile, had a record year in container traffic with the addition of several new container lines and increased shipments of flour and grain which helped maintain overall traffic totals. The decline in traffic at St. John's, NF, can be attributed to the continued down turn in offshore oil explorations. Shipments of fertilizer, petroleum and lead were the main commodities handled at Belledune. Details are found in the following table:

**WATER CARGO TONNAGE, LOADED OR UNLOADED AT
CANADA PORTS CORPORATION PORTS OF SAINT JOHN, NB,
HALIFAX, NS, ST. JOHN'S, NF, AND BELLEDUNE, NB**

(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>					
1986	12,334,692	14,106,916	884,983	322,878	27,649,469
1985	#8,661,766	14,022,745	1,056,722	302,901	24,044,134
Increase or (Decrease)	3,672,926	84,171	(171,739)	19,977	3,605,335
% Change	+42.40%	+0.60%	-16.25%	+6.60%	+14.99%
<u>GENERAL CARGO*</u>					
1986	894,000	562,802	145,400	-	1,602,202
1985	836,000	504,066	172,069	-	1,512,135
Increase or (Decrease)	58,000	58,736	(26,669)	-	90,067
% Change	+6.94%	+11.65%	-15.50%	-	+5.96%
<u>CONTAINER CARGO</u>					
1986	545,594	2,264,572	251,381	-	3,061,547
1985	810,530	1,953,636	274,785	-	3,038,951
Increase or (Decrease)	(264,936)	310,936	(23,404)	-	22,596
% Change	-32.69%	+15.92%	-8.52%	-	+0.74%

Revised total

* Excludes bulk cargo

Source: Canada Ports Corporation

On October 6, 1986, the Government of Canada announced that the Port of Saint John, NB, was to receive local port corporation status, thus becoming the seventh port to gain independence from Canada Ports Corporation and become incorporated as a separate entity. The other six ports are Halifax, NS, St. John's, NF, Montreal and Quebec City, PQ, and Vancouver and Prince Rupert, BC. The Saint John Port Corporation and its seven member board of directors were officially established as of January 1, 1987.

Major expenditures at the Port of Saint John, NB, included the addition of a third roll-on/roll-off ramp at Forterm's pier to increase the size of ships that can be loaded simultaneously. In addition, the federal government funded a \$4 million dredging project to widen and deepen the harbour's two main channels, removing some 830,000 cubic metres of silt.

The container terminal at the Port of St. John's, NF, has been awarded \$7 million by the federal government for renovations during 1987. Of this amount, \$4.5 million will be spent for a major resurfacing of the terminal and surrounding area, \$1.5 million for a new fendering system, and \$1 million for engineering expenses. The improvements will enable the terminal to increase its annual capacity by 380,000 tonnes to 750,000 tonnes.

During early 1987, ACE - Atlantic Container Express Inc., which operates a container service between Montreal and St. John's, NF, purchased a second vessel, the 140 metre "MV Lucien Paquin", which has a capacity of 310 twenty-foot equivalent units. In addition to the increased volume, it will allow delivery in St. John's every five days all year round. Previously five-day delivery was only achieved from April to November and every eight or nine days during the winter.

A new organization, Halifax Shipping Association (HSA), was formed in early 1987 to promote the interests of all those associated with the Port of Halifax, NS. Members include shipping lines, terminal operators, stevedoring companies and other companies which derive their livelihood from the shipping business. HSA is concerned with issues such as rate increases by the Atlantic Pilotage Authority, rail rates, deregulation and any matter that would impact on the business of the port.

A \$140,000 marketing study for the Port of Saint John was announced during February of 1987. The study will be completed by the firm of Stevenson, Kellogg, Ernst & Whinney and a United States associate, Booz, Allen and Hamilton, and funded by the federal government (DRIE) and the New Brunswick government on a 70/30 share basis. The study is being done as the result of a restructuring of shipping services and is to look at the facilities, distances, world trade and related matters. It will be completed by June of 1987.

The major additions to and changes in international steamship services during 1986-87 involving Atlantic ports are summarized below:

- During April, 1986, two new shipping lines, Ocean Star Line and Jebesen Line, commenced monthly container services between Halifax, NS, and Australia and New Zealand, using 20 foot and 40 foot dry cargo containers. Ocean Star Line also accepts cargo to and from ports in the Mediterranean area.
- Effective June 4, 1986, Atlantic Container Line and Hapag Lloyd began sharing container space on each other's vessels between Europe and North America. Both container lines offer

regular service from Halifax, NS. This agreement allows both companies to better utilize their vessels and to share equipment, stevedoring facilities and inland transportation.

- Effective June 23, 1986, ScanCarriers commenced a monthly liner container and ro-ro service between Halifax, NS, and ports in the United States and New Zealand/Australia. The independent service includes calls at Auckland, New Zealand, Sydney and Melbourne, Australia, with the North American ports of Halifax, Norfolk and Savannah. In early 1987, ScanCarriers, in conjunction with Troll Carriers, commenced a monthly container service from Saint John, NB, to Fremantle, Australia.
- A new weekly freighter service by UM Holdings, with capacity of 400 TEU's (twenty-foot equivalent unit), is scheduled to begin service on April 15, 1987, between the Ports of Halifax, NS, and Boston, MA. There has not been a feeder service on this route since 1974.
- Three Japanese lines who have made regular calls at the Port of Saint John, NB, announced that they will discontinue calling at any Eastern Canadian port on May 11, 1987. Mitsui O.S.K. Line, Nippon Yusen (NYK) and Yamashita-Shinnihon Co. (YS Line) will terminate their Far East sailings at the Port of New York, NY, instead. These three lines account for a large portion of the container traffic at Saint John and the possibility of a feeder service to and from New York is actively being explored as a means of maintaining service for Canadian exporters and importers. In November, 1986, the Japan Line discontinued service to Eastern Canadian ports.
- During the year, ABC Containerline commenced bi-monthly service between Halifax and European, Mediterranean, Australian and New Zealand ports.
- T.L. Shipping Services Ltd. became a Non Vessel Operating Carrier (NVO) in Atlantic Canada during 1986 upon opening an office in Halifax, NS. NVO companies charter space on ships and then sell space to individual shippers. T.L. Shipping provides both refrigerated and dry container service to Europe, the Mediterranean and Australia via ABC Container line which offers bi-monthly sailings.

Ferries

The major ferry operations in Atlantic Canada reported a moderate overall growth in traffic totals for 1986 compared with the previous year. Totals for passengers increased 2.6%, while

automobiles and pick-up trucks, as well as trucks and tractor trailers, increased 1.4%. The significant increases on the North Sydney, NS/Port aux Basques, NF, service were met with the larger capacity and shorter travel time provided by the new ferry "MV Caribou".

Statistics for the year 1986 appear below, with 1985 figures in brackets:

FERRY OPERATING STATISTICS FOR ATLANTIC CANADA

<u>Service</u>	<u>Passengers</u>		<u>Automobiles And Pick-Up Trucks</u>		<u>Trucks And Tractor Trailers</u>	
Marine Atlantic Service						
Cape Tormentine - Borden	1,661,873 (1,614,950)	+2.9%	570,413 (546,292)	+4.4%	117,211 (115,356)	+1.6%
North Sydney - Port aux Basques	304,039 (278,715)	+9.1%	77,903 (69,040)	+12.8%	47,309 (43,278)	+9.3%
North Sydney - Argentia (1)	31,082 (30,962)	+0.4%	8,192 (7,988)	+2.6%	93 (112)	-17.0%
Yarmouth - Bar Harbour	121,915 (120,969)	+0.8%	31,051 (29,522)	+5.2%	3,949 (5,100)	-22.6%
Saint John - Digby	225,414 (226,883)	-0.6%	55,766 (55,217)	+1.0%	25,675 (26,357)	-2.6%
Northumberland Ferries Service						
Wood Island - Caribou (2)	530,095 (527,108)	+0.6%	171,412 (168,399)	+1.8%	19,672 (20,848)	-5.6%
Prince of Fundy Service						
Yarmouth - Portland (3)	150,979 (148,040)	+2.0%	25,285 (23,742)	+6.5%	1,347 (1,310)	+2.8%

- (1) 1986 operated June 15 to September 13
1985 operated June 17 to September 17
- (2) 1986 operated April 29 to December 10
1985 operated April 26 to December 9
- (3) 1986 operated May 1 to October 26
1985 operated May 2 to October 27

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

Atlantic Canada's major ferry company became a full-fledged Crown Corporation with an independent board of directors and a new name during the year. Marine Atlantic Inc. is the new name given to the former CN Marine, which was a wholly-owned subsidiary of Canadian National Railways.

In another milestone for the Atlantic ferry service, the "MV Caribou" made her maiden crossing of the Cabot Strait on May 12, 1986. As the largest ferry ever built in Canada, the "Caribou" is the first of two modern vessels planned for the Cabot Strait service. A contract to build the second "Caribou" has been signed with Versatile-Davies of Lauzon, PQ, and construction has commenced.

With the "MV Caribou" in service, Marine Atlantic Inc. disposed of three vessels it had been operating in the Gulf service, namely, the "Marine Atlantic", the "Marine Nautica", and the "Frederick Carter".

The "MV Caribou" is being supplemented in the Gulf with the "Atlantic Freighter" which was secured from the Stena Gulf Line of Sweden. After a short trial period under lease, the vessel has been purchased by Marine Atlantic Inc.

In the coastal service, the former "MV Bonavista" has been withdrawn from the Lewisporte/Goose Bay/Nain route and for the 1987 season will be replaced by the new "MV Northern Ranger".

Marine Atlantic increased most rates on its ferry service in Atlantic Canada effective January 1, 1987, by varying amounts to yield an overall revenue increase of 6.0%. Similarly, Northumberland Ferries Limited has scheduled an increase of approximately 6.0% for the beginning of its season, May 1, 1987.

A new \$7.5 million ferry went into service during June of 1986 on Newfoundland's southwest coast serving the Burgeo-Ramea-Grey River route of the provincial ferry service. The 47 metre "Gallipoli" was designed and built at Marystown, NF, with capacity for 20 vehicles and 100 passengers.

GENERAL LEVEL OF RATES

Rail Rates - Domestic

During the year under review, domestic rail rates were subject to various selective rate increases. Generally, increases were applied as follows:

- 6.0% during March, April, May and June, 1986, applying on rates last increased during the same period in 1985;
- 5.0% on January 1, 1987, applying on rates last increased on January 1, 1986; and,
- 4.5% to 5.5% during March, April, May and June, 1987, applying on rates last increased during the same period in 1986.

Rail piggyback Plan II rates between points in Canada were generally increased by 6.0% effective January 1, 1987, with some exceptions.

Rail Rates - International

During the year under review, international rail rates applying between Canada and the United States were subject to a series of selective increases which were implemented by individual rail lines on a route basis under Master Tariffs 9000 and 9500. Subject to certain exceptions, increases were generally applied as follows: 3.0% to 6.0% on June 30, 1986; 4.0% on October 31, 1986; and 1.2% on January 15, 1987.

The imposition of a US Customs user fee on commercial transport by rail, highway and water carriers remains in effect. However, on March 9, 1987, CN and CP Rail are no longer assessing their customers this user fee. It will now be absorbed by the railways.

Truck Rates

The following table outlines the general freight rate increases during the year under review for those highway common carriers that are members of tariff bureaux. This table outlines the general rate increases with exceptions having been made for specific shippers, certain weights, commodities and carriers.

TABLE SHOWING TARIFF BUREAUX TRUCK RATE INCREASES

<u>DATE</u>	<u>APPLICATION</u>	<u>INCREASE</u>
<u>Between The Maritime Provinces And Ontario</u>		
September 1, 1986	All Rates	6.0% (2) & 5.0% (3)
<u>Between The Atlantic Provinces And Quebec</u>		
January 2, 1987	All Rates	6.0% (1)

DATEAPPLICATIONINCREASEWithin The Maritime Provinces

January 1, 1987	All Rates	4.0% - 6.0%
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Between Newfoundland And Maritime Provinces

September 1, 1986	Commodity Rates	5.0%
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Within The Province Of Newfoundland

January 1, 1987	All Rates	5.0%
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References: (1) - Except 5.0% on truckload rates (24,000 lbs. and over).
(2) - 500 lbs. to 14,999 lbs. only.
(3) - 15,000 lbs. to 29,999 lbs. only.

Pool Car And Domestic Water Rates

The pool car operators providing freight service from Ontario and Quebec to the Maritime Provinces increased their rates and charges by generally 6.0% effective September 29, 1986, from Ontario and effective December 15, 1986, from Quebec.

Atlantic Container Express, Inc., providing a domestic water freight service between Montreal, PQ, and St. John's, NF, and Atlantic Searoute Limited, providing a domestic water freight service between Halifax, NS, and St. John's, NF, are not required to publicly file rates and, therefore, a history of the rates of these two carriers for the period under review is not publicly available.

NATIONAL TRANSPORTATION POLICY CHANGES

Legislation to implement major National Transportation Policy changes was tabled in the House of Commons in late June, 1986, by the Honourable Don Mazankowski, then federal Minister of Transport, as Bill C-126 (National Transportation Act 1986) and C-127 (Motor Vehicle Transport Act 1986). These Bills embraced in legislative form the principles outlined in the "Freedom to Move" paper, as well as meeting many of the concerns raised by shippers and carriers with whom the regulatory reform group had consulted during months since the release in July of 1985 of the "Freedom to Move" paper.

To provide an opportunity for Atlantic Provinces' shippers to familiarize themselves with the legislation and to provide feedback to the APTC and to the government, the APTC organized a conference in Halifax on September 22, 1986. This conference was attended by approximately 150 persons and revealed that overall the new legislation is supported by shippers. The exception to this being that the potato industry of Prince Edward Island is opposed to confidential rate contracts.

The first session of the 33rd Parliament was prorogued before Bills C-126 and C-127 received second reading. On November 4, 1986, these Bills were reintroduced into the second session of the 33rd Parliament as Bills C-18 and C-19, respectively. Bill C-18 received second reading on February 4th and Bill C-19 received second reading on February 11, 1987. Both Bills were referred to the House of Commons Standing Committee on Transport for examination. The Committee has scheduled hearings in Ottawa and throughout Canada during March and early April, 1987. The APTC will appear before the Committee on April 1, 1987, during its hearings in Moncton.

Throughout the past year, the APTC has participated with thirteen other trade associations throughout Canada in a loosely knit Coalition of Concerned Shippers. This coalition came together to support the pro-competitive aspects of the transportation legislation and to support the introduction of a fit, willing and able test for motor carrier licenses in lieu of the present public convenience and necessity test.

When the House of Commons Committee sits in Moncton, the APTC will stress in its submission that regional economic development should take precedence over transportation cost-recovery when the two are in conflict. It will urge the Committee to amend the National Transportation Policy statement by including this important objective. Other areas in the legislation on which the APTC will propose change are itemized below.

The APTC will urge that the present requirements in the Railway Act in respect of rates and facilities for intermodal transport are satisfactory and should be carried forward into the new National Transportation Act.

In respect of competitive line rates, the APTC amendment proposal would see the elimination of the 50%/500 mile restriction on competitive line rate provisions in order to enable Atlantic Provinces' shippers to overcome the long and circuitous route from the region before reaching competitive rail service. It will also urge that the competitive line rate provisions for containers or trailers on flat cars from and to ports be restricted to ports in Canada.

The APTC will urge that shipper groups be able to negotiate on behalf of their members with a single railway for rate and service matters.

Support is expressed for confidential rate contracts provided the safeguards set out in the public interest appeal section of the National Transportation Act are maintained.

Amendments to the branch line sections propose that assistance be granted to improve transportation facilities from areas where traffic affected by rail abandonment is shipped, as well as lines to which traffic is shipped and which are affected by abandonment; that shippers in the Atlantic Provinces who have had to adapt to other transportation services prior to the coming into effect of the Act or prior to the railways' application for abandonment because of a substantially reduced rail service should also be eligible for assistance under the new legislation; and, finally, operators of the so-called "short line railways" should be eligible for assistance to become established.

The APTC will propose that the Maritime Freight Rates Act be amended by an appropriate clause to ensure that rail intermodal movements of trailers or containers shall be considered all rail movements for purposes of the Maritime Freight Rates Act. The APTC considers this amendment may be necessary to ensure that, should there be substantial abandonment of railway lines in the four Atlantic Provinces, railway intermodal shipments would not suffer any diminution of benefits under the Maritime Freight Rates Act.

The APTC will express its strong support for the Motor Vehicle Transport Act 1986 provided the three-year phase-in period for the fitness test is not further extended. Support will be indicated for those other aspects of both Bills which are not addressed in the APTC's submission.

Shippers throughout Canada are universally united in their support for the pro-competitive aspects of the new legislation. The railways, on the other hand, are opposed to many of the pro-competitive aspects of the new legislation citing, in particular, the potential for reduced revenue through more competition between railways and, specifically, between Canadian and United States railroads. The trucking industry is concerned that the entry test is being relaxed prior to the implementation of a national safety code and that, under a fitness only test, there is a potential for American trucking companies to seize a major portion of the Canadian transportation market.

The government has indicated its intention to proceed with the legislation. If it could be passed by the end of June, 1987, the new legislation could possibly be in effect by January 1, 1988.

MOTOR CARRIER REGULATORY REFORM

In 1986, a Bill to replace the present Motor Vehicle Transport Act passed in 1954 was tabled in the House of Commons. The new MVTA (Bill C-19 of the second session of the 33rd Parliament) will govern extra-provincial trucking in Canada based on a federal-provincial Memorandum of Understanding of February, 1985. Under the proposed legislation, the threshold test for applicant motor carriers will be a fitness test (basically safety and insurance requirements). After an applicant for a motor carrier license has met a fitness test on a prima facie basis, if there are objections to the application, a reverse onus procedure comes into operation under which the burden shifts to the objectors to satisfy the provincial board that, on the basis of the detrimental effect considerations set out in the Bill, the application should not be granted. It is proposed to have the new legislation in effect on January 1, 1988, with the reverse-onus provision to apply during a three-year transitional period. The reverse-onus provision is scheduled to terminate on January 1, 1991, leaving the fitness test as the sole criterion for the issuance of extra-provincial licenses. Near the conclusion of the year, the federal and provincial governments agreed on a national safety code to govern trucking in Canada. The code is considered to be a vital part of the deregulation process and is scheduled to be gradually phased in by 1990.

In October, the Ministers responsible for transportation in each of the Atlantic Provinces were advised that the proposed regulations for extra-provincial trucking found in Bill C-19 have the complete support of the APTC and the Ministers were urged to adopt the same provisions and regulations to govern intra-provincial transport. The support of the APTC is consistent with the position taken over many years for easier entry into the motor carrier field to ensure a high degree of competition for the future, combined with the important objective of uniformity of regulations throughout the region and the country. All of the Atlantic Provinces have indicated that they intend to apply the same provisions for intra-provincial transport as those contained in the proposed MVTA.

Lending further support for the measures contained in the proposed MVTA are the conclusions of a study of the "Potential Impact of Replacing Reverse-Onus Test With a Fitness Test" conducted by a team of transportation economists and lawyers and released in August. The study was prepared for the Canadian Council of Motor Transport Administrators (CCMTA) by Adil Cubukgil Associates Inc. This study was done as part of the February, 1985, agreement of the Council of Ministers. The conclusions of the study are summarized in the final paragraph of the report as follows:

"In conclusion, the interprovincial trucking industry in Canada is operating under effective market competition. Gradually weakening entry controls and the absence of effective rate regulation have facilitated many changes that can be attributed to deregulation in the U.S. since 1980. Shippers already enjoy competitive rates and the industry has already responded to the challenges of open competition; thus, in the same way as shippers should not be expecting significant benefits from pending entry deregulation, carriers should not fear destabilizing consequences of open entry. If entry deregulation does not change market conditions from what is now observed, the implications of taking the final step from 'reverse-onus' to 'fitness only' are naturally, not very significant. These findings however, should not be interpreted to suggest that there will be no changes in the interprovincial trucking industry over the next few years; the process of restructuring will continue and the industry will respond to changing market conditions."

Another important study pertaining to highway transport is the "Vehicle Weights and Dimensions Study" under the direction of the Roads and Transportation Association of Canada and the CCMTA. This is a very comprehensive study involving numerous technical papers and research reports as to the appropriateness of the present vehicle weights and sizes in Canada. As part of the consultative process, the APTC was invited to provide input into the principle findings of the research program. While the APTC does not have any expertise in the technical aspects of the study, it submitted some comments on general principles. On behalf of Atlantic Provinces' shippers, the APTC urged that (1) allowable weights and dimensions be set at the highest possible limits consistent with public safety to encourage low cost, efficient and competitive transport service by highway; and (2) that, insofar as practical, maximum weights and dimensions be uniform across Canada.

ATLANTIC REGION FREIGHT ASSISTANCE

Payments under the Maritime Freight Rates Act and the Atlantic Region Freight Assistance Act for the year 1986 were approximately \$85 million, reflecting an increase of \$10 million or roughly 13% from the previous year. Details of the payments for the past two years are as follows:

**TABLE SHOWING PAYMENTS UNDER THE
ATLANTIC REGION FREIGHT ASSISTANCE PROGRAMS**

(\$X'000)				
<u>CALENDAR YEAR</u>	<u>RAIL</u>	<u>TRUCK</u>	<u>WATER</u>	<u>TOTAL</u>
<u>Intra-Regional</u>				
1986	7,021	32,489	503	40,013
1985	7,018	28,129	329	35,476
<u>Westbound-Basic</u>				
1986	13,610	20,410	-	34,020
1985	14,625	15,691	-	30,316
<u>Westbound-Selective</u>				
1986	4,800	6,591	-	11,391
1985	4,456	5,170	-	9,626
<u>Total Payments - Intra-Regional & Westbound</u>				
1986	25,431	59,490	503	85,424
1985	26,099	48,990	329	75,418
Increase/ Decrease	-668 -2.6%	+10,500 +21.4%	+174 +52.9%	+10,006 +13.3%

Source: Canadian Transport Commission

The increases in the subsidy payments stem from a combination of processing more claims by the CTC (in terms of increased productivity in processing), a higher level of freight rates and increased eligible traffic.

In the summer of 1986, the APTC became aware that Canadian National Railways had filed certain tariffs on traffic originating at Baie Comeau, PQ, under the Maritime Freight Rates Act and the Atlantic Region Freight Assistance Act. As Baie Comeau was considered by the APTC to be outside the select territory and traffic originating at Baie Comeau would not, therefore, be eligible for assistance under the Atlantic Region Freight Assistance program, the APTC questioned the Canadian Transport

Commission for the rationale for these tariffs being filed under the Maritime Freight Rates Act and the Atlantic Region Freight Assistance Act. The Canadian Transport Commission had itself raised the same issue with Canadian National and the APTC was invited to provide its position on the issue in the CTC's determination of whether or not the railway tariffs would be approved as filed.

Accordingly, the APTC filed with the Canadian Transport Commission an extensive statement on the interpretation of these two Acts which places Baie Comeau outside the select territory.

In mid-December, the Railway Transport Committee of the CTC notified the APTC that it had considered the matter of the application of the Maritime Freight Rates Act and the Atlantic Region Freight Assistance Act to certain tariffs filed by Canadian National Railways on traffic originating at Baie Comeau and ruled that the tariffs in question were not deemed to constitute tariffs covering preferred movements contemplated by these Acts.

The Committee's decision, which agreed with the position taken by the APTC, maintains the integrity of the Maritime Freight Rates Act and the relative position of Atlantic Provinces' shippers in relation to shippers outside the region.

Another development during the year was the decision by the Auditor General to examine the Atlantic Region Freight Assistance program. As far as the Auditor General's examination relates to the application of public funds provided by parliament for this program, the APTC welcomes the Auditor General's study. What gives the APTC concern is the possibility that this audit of transportation subsidies may stray into an examination that might result in the Auditor General giving his opinions on whether or not these programs are worthwhile from a public policy point of view. In the APTC's view, this would fall outside the scope of any rights and duties granted to or imposed upon the Auditor General by parliament and would, in effect, be an attempt to override or at least criticize established public policy.

The APTC's views on this examination have been conveyed to the Minister of Transport and other government members.

While the Neilsen Task Force report of 1985-86 included the Atlantic Region Freight Assistance program, among other things, and the volume of that report dealing with this program was referred to a Standing Committee of the House of Commons, the APTC has receiving no indication that the Committee has dealt with this report during 1986-87.

SHIPPING POLICY AND OTHER MARINE MATTERS

The Shipping Conferences Exemption Act of 1979 provides qualified exemption for certain shipping conferences' practices from the provisions of Canada's competition legislation. Originally, this Act was to expire on March 31, 1984, but has been extended for three one-year periods by federal Orders-in-Council. A new Shipping Conferences Exemption Act was introduced into the House of Commons in November, 1986, as Bill C-21. The Bill received second reading in the House of Commons on March 5, 1987, and has been referred to a legislative committee for examination. Concurrently, the Senate Transport Committee has been authorized to examine the subject matter of the Bill. Neither Committee is expected to conclude its examination of the Bill before March 31st and, as a result, the Shipping Conferences Exemption Act of 1979 has again been extended by federal Order-in-Council to December 31, 1987.

The new Act proposes to allow individual lines of a conference to take independent action. Also, lines may utilize service contracts and may opt out of the conference terms and conditions of a service contract. Furthermore, service contracts are to be filed with the CTC but are to be kept confidential.

The new Act is patterned after the US Shipping Act of 1984 and the main difference between the two Acts appears to be that Bill C-21 allows a line to opt out of the conference terms and conditions for service contracts and that the confidentiality attached to service contracts under the Canadian legislation may be more strict than that under the US law.

Exporters in Canada generally support the pro-competitive aspects of Bill C-21.

The APTC, working through the Canadian Shippers' Council, has lent its support to Bill C-21. At year end, the APTC has not scheduled an appointment before either the House Committee or the Senate Committee.

Bill C-75 of 1986, which contained a provision to give the Governor-in-Council authority to make regulations respecting charges to be assessed against any ship or vessel for services provided by the Canadian Coast Guard for such things as navigational aid, dredging, vessel traffic services and ice-breaking, did not receive passage prior to the prorogation of Parliament during the summer of 1986. This Bill was reintroduced in the current session of Parliament as Bill C-39, minus the

controversial "cost-recovery" clause, and received quick passage by the House of Commons and Senate and was given Royal Assent on March 26, 1987.

No developments respecting coasting trade occurred during the year covered by this report.

RAILWAY ABANDONMENTS

The pace of railway abandonments and applications slowed somewhat in 1986 from that of previous year. There were, however, a number of new applications filed and decisions rendered by the CTC on previous applications resulted in a number of lines being abandoned during the year. Particulars follow:

New Brunswick

A CTC decision allowed the abandonment of that portion of CP Rail's Shore Line Subdivision from Bayside to Lepreau, a distance of 12.50 miles, on November 26, 1986. The CTC commenced a statutory review of its 1982 decision to continue the operation of CN's Albert Spur from Salisbury to Synton, a distance of 2.85 miles. In this case, no decision has been announced as yet. CN applied in March, 1987, to abandon the Bartibog Subdivision from Bartibog to Heath Steele, a distance of 23.13 miles.

Nova Scotia

The Oxford Subdivision of CN was abandoned effective December 31, 1986, after several postponements of an earlier CTC order to abandon this trackage from Pugwash Junction to Scott Spur, a distance of 54.94 miles. Orders were also issued by the CTC to allow the abandonment of CN's Inverness Subdivision from Port Hastings Junction to Inverness, a distance of 55.64 miles, effective July 31, 1986; and Dominion Atlantic Railway's Truro Subdivision from Mantua to Truro, a distance of 53.20 miles, effective June 30, 1986. CN made an application during 1986 to abandon its Thorburn Spur from New Glasgow.

FUTURE OF RAIL SERVICES IN THE MARITIME PROVINCES

In June, 1986, the APTC completed a preliminary evaluation of the "Future of Railway Services in the Maritime Provinces" which concluded that major sections of railway lines in the Maritime Provinces are likely to be abandoned within the next ten years.

As background to this preliminary assessment, both CN and CP Rail have made policy pronouncements to the effect that major sections of branch line trackage must be abandoned. The railways have concluded that future railway service will be limited to major points and areas where there is a concentration of rail traffic. To a large extent, rail car service is expected to be limited to mainline trackage, with much of the remaining trackage expected to disappear. In an attempt to retain as much of the traffic as possible, both railways will be offering intermodal services to non-rail points. This will include the so-called piggyback service, as well as a distribution centre concept involving specialized handling and transfer facilities at major mainline rail locations to permit the transfer of both bulk and non-bulk commodities to truck for movement to and from non-rail locations.

This new direction by the railways is the result of a combination of an economic need to scale down the size of the rail plant, caused to a large extent by declining traffic on portions of their plant, along with proposed deregulation of transportation in Canada.

With this background and with the support of the Maritime Provinces' governments, the APTC commenced a further assessment into the impact of potential abandonments on rail users (shippers and receivers) and on the highway system. The study will identify and evaluate the following:

- the rail lines that CN and CP Rail may be expected to abandon in the Maritime Provinces over the short and long term;
- the rail users on affected lines and the impact on their operations;
- the alternative transportation modes available to shippers and receivers and the costs resulting from these alternatives;
- the ability of regional manufacturers and producers to retain markets in the face of increased transportation costs, as well as the impact on regional employment;
- the impact of rail line abandonments on the level of train service for the movement of rail traffic on remaining rail lines in the Maritimes; and,
- the increased tonnage and freight vehicles that will move over the highways for each route in the Maritime Provinces under short term and long term rail line abandonments.

During the course of the study, in excess of 150 rail users were contacted to develop the information required to determine the impact of the potential loss of direct rail service. Approximately 130 separate interviews were undertaken over and above the assembly of completed questionnaire forms received by mail.

At the conclusion of the year, the study report was in the final drafting stages and is expected to be completed in May, 1987.

AT & EAST EXPORT GRAIN AND FLOUR RATES

In the fall of 1986, it was learned that the government was again examining the value of the export grain and flour assistance program, commonly known as At & East. It will be recalled that the APTC had submitted to the federal Minister of Transport a comprehensive analysis of the benefits of the program to the Atlantic Region and a proposal to modify the program to eliminate any distortions and to minimize the demand upon the federal treasury for funding of the program. These submissions were made in 1985 and no action had resulted therefrom.

The APTC undertook to update its analysis of the benefits of the program to the Atlantic Region and met with officials in the Minister of Transport's office and in Transport Canada. As a result of these meetings, the APTC received assurance that no precipitous action would be taken by the government to discontinue the program and that further consultation will take place with the APTC.

Subsidies paid under the "At & East" program fell in 1986-87 to \$28,253,018 from \$37,822,071 the previous year.

The APTC also learned that, as part of the Auditor General's examination of transport subsidies, the export grain and flour program is included. A contract to assess this program was let to the Trade & Transportation Group of Ottawa and the APTC has met with the President of that group to stress the benefits of the program to the Atlantic Region. At year end, the Auditor General's report had not been released.

PILOTAGE

On May 1, 1986, a pilotage fee increase was implemented in the Atlantic Pilotage Authority compulsory area designed to yield a 13.6% increase. On September 25, 1986, the Atlantic Pilotage Authority implemented a revised set of pilotage regulations to

apply to certain non-compulsory waters primarily in the Gulf of St. Lawrence specifying the fees payable and the requirements that must be met by an applicant for license. On November 20, 1986, the APA advised the trade that it intends to implement a 7% increase effective July 1, 1987.

During 1986 an informal consultation process was initiated by a small committee comprised of individuals from Transport Canada and the Canadian Transport Commission to explore with interested parties pilotage issues, such as:

- criteria for determining compulsory pilotage ports;
- criteria for determining compulsory pilotage vessels;
- cross-subsidization among ports in a region;
- self-sufficiency of the Authority;
- active pilots on the Authority Board; and,
- local port control.

The APTC provided input to this Committee's examination of these issues. At year end, no report of the Committee or action flowing from its work became public.

AIR TRANSPORTATION TAX AND BUSINESS TRANSFER TAX

During 1986, the APTC addressed two tax matters related to transportation. The first was a proposal by Transport Canada to implement a tax on air transportation charges for the carriage of goods. This tax, like the air passenger transportation tax, was proposed as a means of securing increased cost-recovery for the operation of Canadian air transportation facilities.

The APTC sought the views of air transportation users and communicated with the Deputy Minister of Transport expressing opposition to the imposition of such a charge which, it was felt, would fall most heavily upon the extremities and remote areas of Canada.

Under date of January 22, 1987, the Deputy Minister of Transport Canada advised that, "The government has decided not to proceed with implementation of the air cargo tax. . . . The decision was taken following review of the proposal to introduce

this tax, including consideration of the concerns expressed by the air transport industry and representations made by shippers and other interested groups such as yours."

The second tax matter is the federal government's proposed Business Transfer Tax (BTT). The APTC is concerned that this tax will apply on transportation costs and, as such, will fall more heavily upon areas of Canada that are more dependent upon transportation or where the incidence of transportation costs is higher than other parts of Canada. Also, the Business Transfer Tax, assuming that it will apply to transportation fuels, will be double federal taxation in that transportation fuels are already subject to a significant federal tax.

The APTC has communicated its concern to other trade organizations in the Atlantic Provinces, such as the Atlantic Provinces Chamber of Commerce, the Atlantic Provinces Economic Council and the Canadian Manufacturers' Association. The APTC, through its representation on the Transportation Committee of the Canadian Chamber of Commerce, has conveyed to that organization the potential of an uneven impact of the Business Transfer Tax upon the transportation industry and the extremities of the country.

FREER TRADE

As discussions on the concept of freer trade between Canada and the United States took place during 1986, the APTC expressed concern to the provincial trade representatives over the implications of changes in two transportation related areas. These were, first, the possibility that, as part of free trade discussions with the United States, the domestic transportation assistance program under the Maritime Freight Rates Act and the Atlantic Region Freight Assistance Act might be eliminated and, secondly, a proposal advanced by shipowners and shipbuilding interests that trade between Canada and the United States be restricted to ships of either Canadian or United States registry. Such a proposal would be a continental extension of the US Jones Act and, while it may hold some benefits for ship operators on the Great Lakes/St. Lawrence Seaway, it would be disastrous for Atlantic Canadian ports and Atlantic exporters using marine shipping services to the United States. These two concerns were expressed by the APTC to the provincial trade representatives and also to the federal trade negotiations office.

PRINCE EDWARD ISLAND FIXED CROSSING

During 1986, there was considerable public discussion over the possibility of a fixed crossing from New Brunswick to Prince Edward Island. The federal government has received three proposals from firms wishing to undertake such a project. Two of the proposals involve bridge crossings, while the third proposes a tunnel under the Northumberland Strait. The federal government has commissioned a series of studies to determine the environmental and economic impact of a fixed crossing. Results of these studies are expected to be known in 1987.

At the request of the federal Minister of Environment, early in 1987 the APTC submitted to him the results of an analysis of the potential economic benefits based on savings in the cost of trucking to and from Prince Edward Island with a fixed crossing. The costs savings were based on the saving in time to private and commercial motor carriers resulting from the utilization of a fixed crossing compared to the present ferry system. The analysis assumed that toll levels would be the same for both the ferry service and the fixed crossing and analysed only those savings associated with the reduction in time required to cross from Prince Edward Island to the mainland by a fixed crossing versus the ferry crossing.

ROYAL COMMISSION ON THE POTATO INDUSTRY

The government of Prince Edward Island appointed a Royal Commission on the Potato Industry following a close vote by the producers on whether or not the Prince Edward Island Potato Marketing Board should be disbanded. Mr. Frederick L. Driscoll was named Commissioner.

Public hearings were conducted in January and February by the Royal Commission in its inquiry into all aspects of the potato industry. The APTC was invited to appear before the Commission and at hearings held in Charlottetown on February 3rd, the APTC presented its views on several transportation issues. The APTC particularly outlined its involvement over the years with the transportation committee of the PEI Potato Marketing Board, stressing the importance of such a committee in carrying out rate and service negotiations with the various carriers.

The APTC submission was well received, with several questions being asked by the Commission. As well, additional statistical information was sought and supplied by the APTC following the hearings.

CTC CABOOSELESS TRAIN HEARINGS

During 1986, the Railway Transport Committee scheduled hearings throughout Canada on applications by CN and CP Rail for permission to operate trains without cabooses. These applications followed granting of permission to the railways following hearings in 1985 to experiment with the operation of such cabooseless trains.

The APTC supported the railways' application for permission to test the operation of cabooseless trains during the 1985 hearings. It again supported the railways' application to operate trains without cabooses provided the CTC was satisfied from the tests and its investigation that safety would not be compromised.

APTC COMPUTERIZATION

A micro computer system was instituted by the APTC commencing in 1985. Functions which are complete and operating effectively on the local area network include word processing, electronic mailing lists and spreadsheet applications.

The spreadsheet application has been very beneficial in assisting the staff on a number of projects undertaken by the APTC, such as private truck costing. The rate advisory service and the truck tariff filing system is operating and the staff is gradually becoming familiar with the program and the system is expected to be fully operational in the near future.

A new computerized rate advisory service to shippers has been made possible by the APTC computer system. Through a custom software program developed by the firm of Computer Resources, a database of rates is maintained by the APTC for specific clients of the service. The database enables shippers that subscribe to the service to quickly retrieve a rate record which includes information such as rates, minimum weights, tariff authority,

effective date, carrier equipment, etc. This service has proven to be very successful and beneficial to clients by enabling them to compare transportation options, audit freight accounts, and control transportation expenses. Clients of this service are charged a fee based on the APTC's direct cost of providing the computerized information.

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 rate and service information, expertise in rate negotiations, information on carrier's liability, subsidy programs, transportation regulations, currency exchange, private truck costing, railway line abandonment procedures, small package charges, to name a few. Much of this work is of a very specific nature and, as a result, confidential. Accordingly, it is not possible to provide detailed coverage in a public annual report. Nevertheless, to give an indication of the broad range of matters that the APTC dealt with the past year, the following information is provided.

Potato shippers in both New Brunswick and Prince Edward Island were assisted by the APTC in the negotiation of rates for the movement of potatoes to major markets in Ontario and Quebec.

Peat moss shippers in New Brunswick were assisted with ocean rate negotiations with the TransPacific Westbound Rate Agreement ocean carriers for shipments of peat moss to Japan and other Far East points. As a result of the APTC's work, peat moss shippers have been able to retain this market with transportation savings of many thousands of dollars.

A **steel fabricator** in St. John's, NF, utilized the APTC's expertise to assist it in negotiations with its major carrier for rate adjustments to place it on a more competitive footing with similar producers in the Maritimes.

A Newfoundland company drew upon the APTC's knowledge in respect of **customs duties** payable on the use of a non-Canadian vessel in the domestic trade.

Feed companies in Nova Scotia used the APTC to assist them in representations to the Nova Scotia government concerning weight allowances for tri-axle feed vehicles.

Exporters of **perishable products** using North Atlantic ocean carriers benefited from the efforts put forward by the APTC through the Canadian Shippers' Council to have a proposed freight rate increase on reefer cargo to be effective December 1st withdrawn. The carriers had initially withdrawn a similar increase on dry cargo and the efforts of the APTC resulted in it being withdrawn for reefer cargo too. Savings of several hundred dollars per reefer container resulted from the APTC's representations.

A large **Nova Scotia company** engaged the APTC to do an assessment of the establishment of a private trucking operation. Potential savings of several hundred thousand dollars were identified.

The APTC assisted a number of Prince Edward Island fertilizer companies with a problem arising from the need to handle a **fertilzier ingredient** in highway vehicles.

A number of shippers and carriers concerned with the settlement of **loss and damage claims** utilized the APTC's resources and expertise in the settlement of such claims. While the APTC is not an arbitrator in such matters, it does provide information and advice on the basis of past experience and knowledge and the availability of technical articles and materials in the APTC library.

A service begun several years ago continued this year, namely, the preparation of extensive tabulations of freight rates for particular industry groups, namely, **potatoes and peat moss** to Ontario and Quebec markets, **feed and feed ingredients** and **fertilizer and fertilizer ingredients** from central and western Canada. These rate statements are revised at regular intervals to reflect rate changes that occur.

A customized tabulation of all freight rates used by a New Brunswick **confectionery** manufacturer is maintained by the APTC and updated weekly for supply to that company. This service is a supplement to the APTC rate advisory service.

As in **previous years**, a number of companies throughout the region have called upon the APTC for **rate information** on a wide range of products.

Two New Brunswick manufacturers were assisted with information and analysis on inbound rail rates on **lumber** from western Canada and from western United States.

The Newfoundland and federal Departments of Agriculture used the APTC for rate information on **agricultural limestone, feed and milk.**

A New Brunswick manufacturer of **heating panels** was assisted in obtaining rates and service for shipment of its product to western Canada.

A Nova Scotia manufacturer of formed **synthetic resin products** was provided with a review of past rates on its product and statements of current rates to enable it to evaluate transportation costs to central Canadian markets.

A Nova Scotia **clothing** manufacturer was provided with a profile of transit times and service parameters for a number of carriers to enable it to easily select the most appropriate carrier according to the requirements of individual orders and customers.

The APTC met with New Brunswick **peat moss** shippers to discuss equipment and service problems being experienced by that industry.

The APTC continues to monitor carriers' rates to identify any case where the commodity would likely be eligible for the Atlantic Region Freight Assistance Act **selective westbound program** and is not. In such cases, the APTC notifies the shipper and encourages it to apply for the inclusion of its product in the selective westbound program. The APTC follows up with such companies and its services have been used by applicants to review their applications before submission to the appropriate official of the Federal/ Provincial Committee on Atlantic Region Transportation. The APTC continues to monitor the progress of these applications through the F/PCART process until final approval is received by Order-in-Council.

At the request of the APTC, the Atlantic Provinces Motor Carrier Tariff Bureau revised its tariffs to reflect the **carrier's liability** for loss or damage, subject to a maximum of \$2.00 per pound unless a value is declared, based on the total weight of the shipment rather than the weight of the piece or package affected.

In response to the proposed closing of a number of **US border crossing points to commercial cargo**, the APTC undertook discussions with External Affairs Canada, pointing out the effect that the US proposal would have on trade between the Atlantic Provinces and the United States. At year end, the US proposal appears to be in abeyance.

An **industrial development agency** in the region utilized the Commission's services to document the position of its community from a freight cost standpoint for manufacturing and warehousing/distribution.

A large number of inquiries were received by the APTC during the year concerning the transportation and handling of **dangerous commodities**. In such cases, the APTC was able to advise the company or refer them to the proper authority.

The APTC urged the federal Minister of Transport to remove a 4% increase in top wharfage charges on **potatoes and other root vegetables** at the Port of Saint John since no increase in top wharfage charges had been applied to such products at other ports in New Brunswick and Prince Edward Island when top wharfage charges were increased at such ports earlier in 1986.

During the year, the tenth edition of the APTC's **"Directory of Ocean Containership Services"** was issued. This directory provides in graphic form the many year-round shipping services available from and to the major Atlantic ports. It is a useful promotion tool for the ports and receives partial funding from port interests and shipping lines.

OTHER ACTIVITIES

A major part of the APTC's mandate is to keep companies in the Atlantic Provinces advised of rate changes being made by the various carriers that are of direct or indirect interest to regional manufacturers or producers. During the year, 14,321 Rate Advices were issued by the APTC, reflecting a 6% decrease from the previous year when a record 15,255 Rate Advices were issued.

Six circular letters covering a number of subjects were directed to a specific industry or industry groups during the year covered by this report. Average distribution of such circular letters was 35.

The APTC newsletter, "Tips & Topics", continued to be published monthly during the past year with an average circulation of 3,122 copies. The reduced circulation in 1986 was due to the elimination, as a cost-saving step, of a number of addressees located outside the Atlantic Region who no longer expressed an interest in "Tips & Topics".

As part of the APTC's assistance to provincial government departments and other industrial development agencies, information on new or expanded industrial plants were sought in eleven cases during the year covered by this report.

The APTC maintains a close association with a number of organizations both within and outside the Atlantic Region. Specifically, liaison is maintained with the Atlantic Provinces Chamber of Commerce, the Atlantic Division of the Canadian Industrial Transportation League, the Atlantic Branches of the Canadian Manufacturers' Association, the New Brunswick Potato Shippers' Association, and the Prince Edward Island Potato Marketing Board. The APTC is represented on the New Brunswick Trade Development Board and is a member of the Transportation Committees of the Annapolis Valley Affiliated Boards of Trade, the Canadian Feed Industry Association (Atlantic Division), the Maritime Lumber Bureau, the Nova Scotia Forest Products Association, and the Transportation Sector of the Voluntary Planning Group of Nova Scotia.

In addition, the APTC has maintained a close liaison with the Prince Edward Island Rail Users Group, as well as a similar group based in southwestern Nova Scotia concerned with rail service between Liverpool and Halifax.

Membership in such groups as the Canadian Transportation Research Forum, Canadian Shippers' Council, and the Greater Moncton Chamber of Commerce has been maintained. The General Manager of the APTC served during 1986-87 as Executive Vice-President and Secretary of the Canadian Transportation Research Forum. He is a member of the Canadian Chamber of Commerce Transportation Committee and the Chartered Institute of Transport (Canadian Division). Recently, the General Manager was appointed to the Maritime Regional Advisory Council on Port Matters.

Association with the Canadian Institute of Traffic and Transportation is maintained through membership in the Institute by the members of the APTC staff who are graduates of CITT.

Prior to his resignation from the APTC staff to accept employment elsewhere, the APTC's Senior Traffic Analyst served as President of the Transportation Club of Moncton.

The Assistant General Manager has served as Chairman of the Transportation Committee of the Canadian Feed Industry Association (Atlantic Division). The Chairman of APTC is a director of the Atlantic Provinces Chamber of Commerce.

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:

<u>DATE</u>	<u>CONFERENCE/MEETING/ORGANIZATION</u>	<u>NATURE OF PARTICIPATION</u>
<u>1986</u>		
April 9	Canadian Feed Industry Assoc. Annual Meeting	Panel Chairman
April 10	Canadian Feed Industry Assoc. Annual Meeting	Report
April 10	UNB Transportation Seminar	Address
May 25	Atlantic Provinces Chamber of Commerce Annual Meeting	Report
May 28	Pork Producers Assoc. of Nova Scotia	Address
June 4	Saint John Board of Trade Trans. Committee	Address
June 16	Transport Canada Trans. Management Course	Address
August 8	Maritime Farmers' Council Meeting	Address
September 20	Canadian Feed Industry Assoc. Semi-Annual Meeting	Report
September 22	APTC Transportation Conference	Organizer/ Address
September 29	Maritime Lumber Bureau Annual Meeting	Report
October 7	Canadian Ports & Traffic Development Committee	Address
November 12	Traffic Club of Saint John	Address
November 15	NB Potato Shippers' Association	Address
November 19	Transportation Club of St. John's	Address
<u>1987</u>		
January 30	Assoc. of Atlantic Universities Purchasing Managers	Address
February 12	NS Forest Products Assoc. Annual Meeting	Address
March 19	Pork Producers Assoc. of Nova Scotia	Address

In addition, the APTC was invited to present a report to the Atlantic Focus Conference in Moncton on September 23, 1986. The conference provided the APTC an opportunity to stress to the government Members of Parliament the importance of a number of transportation issues, including the Atlantic Region Freight Assistance program.

COMMISSION DIRECTORS

During the year covered by this report, Mr. Glendon Eddy retired as a Director of the APTC. Mr. Eddy, appointed by the government of New Brunswick, served as a Commission Director from 1965 until 1986. He gave extensively of his time to the affairs of the Commission and served as a Chairman during the years 1976 to 1978. He was replaced by Mr. M. D. Street, General Manager of the Smelting and Fertilizer Division of Brunswick Mining & Smelting Corp. of Belledune.

In June of 1986, Mr. T. S. Simms of Saint John resigned as a Director of the APTC due to the pressure of his own business. The Atlantic Provinces Chamber of Commerce appointed Mr. Fred Beairsto of Beairsto Management Limited of Fredericton to replace Mr. Simms.

Mr. F. T. Stanfield, an appointee of the government of Nova Scotia, resigned during the year covered by this report due to the pressure of his business. The government of Nova Scotia has appointed Mr. Ira D. Parker, Product Manager of Crossley Karastan Carpet Mills Ltd. of Truro, to replace Mr. Stanfield.

A fourth change in APTC Directors occurred in 1986 with the appointment of Mr. Douglas L. Johnson, Transportation Policy Officer with the New Brunswick Department of Transportation, to replace Mr. Walter Steeves, Director of Transportation & Communications Policy in the New Brunswick Department of Transportation.

To these former Directors, sincere thanks is extended for their contribution to the work of the APTC. Serving without remuneration, their sole reward is knowing that, through the APTC, they have contributed to improving the ability of Atlantic Provinces' manufacturers and producers to be competitive in the marketplace.

ACKNOWLEDGMENTS

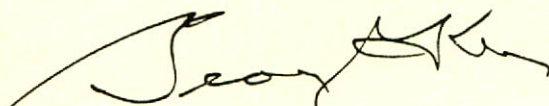
The Chairman, Directors and General Manager express to the governments of the four Atlantic Provinces sincere thanks for both the financial support received and the personal co-operation and assistance rendered to the APTC by their appointees to the Board of Directors. Without this financial support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

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

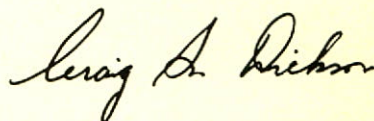
The success of the APTC's work during the year is due, in no small measure, to the direction and support given by the Board of Directors. These Directors serve without remuneration and represent a broad range of economic interest and a wide geographic representation from throughout the four Atlantic 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.



George Key
Chairman



Craig S. Dickson
General Manager

