

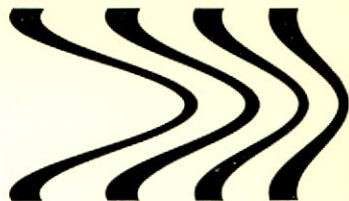


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TRANSPORTATION
REVIEW
AND
ANNUAL REPORT

... 53rd Year of Service

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**TRANSPORTATION REVIEW
AND
ANNUAL REPORT FOR THE
YEAR ENDED MARCH 31, 1978**

The Atlantic Provinces Transportation Commission has offices at 236 St. George Street (Room 210), Moncton, New Brunswick. The services of the Commission are freely available to individuals, corporations and trade groups doing business in the Provinces of Nova Scotia, New Brunswick, Prince Edward Island and Newfoundland.

Honourable A. M. Cameron
Minister of Development
Province of Nova Scotia
Halifax, N. S.

Honourable C. W. Doody
Minister of Transportation
& Communications
Province of Newfoundland
St. John's, Nfld.

Honourable W. G. Bishop
Minister of Transportation
Province of New Brunswick
Fredericton, N. B.

Honourable John H. Maloney, MD
Minister of Industry & Commerce
Province of Prince Edward Island
Charlottetown, P.E.I.

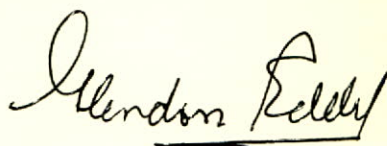
Sirs:

On behalf of the Directors, I am pleased to present this Transportation Review and Annual Report of the Atlantic Provinces Transportation Commission for the period April 1, 1977 to March 31, 1978. This report attempts to review transportation developments in Canada particularly as they relate to the Atlantic Provinces. In addition, it covers to a limited extent some of the activities of the Commission during the year 1977-78.

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 the four Atlantic Provinces.

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,

A handwritten signature in dark ink, reading "Glendon F. Eddy". The signature is fluid and cursive, with a horizontal line drawn underneath the name.

Glendon F. Eddy
Chairman

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**DIRECTORS OF THE
ATLANTIC PROVINCES TRANSPORTATION COMMISSION
AS AT MARCH 31, 1978**

Honourary Chairman — Dr. A. Murray MacKay, Halifax, N.S.

NOVA SCOTIA

Government

Charles B. Christie

D. J. MacDougall

L. J. Hayes

Atlantic Provinces Chamber of Commerce

David G. Burchell

E. L. Dillman

C. A. Meisner

Amherst, N. S.

Halifax, N. S.

Halifax, N. S.

North Sydney, N. S.

Hantsport, N. S.

Liverpool, N. S.

NEW BRUNSWICK

Government

Glendon Eddy

F. H. Hatfield

D. G. Wales

Atlantic Provinces Chamber of Commerce

Aurele Turcotte

F. J. Crease

J. G. MacDonald

Bathurst, N. B.

Hartland, N. B.

Fredericton, N. B.

St. Francois, N. B.

Saint John, N. B.

Moncton, N. B.

PRINCE EDWARD ISLAND

Government

K. A. MacKenzie

G. D. Wright

Atlantic Provinces Chamber of Commerce

Donald MacKenzie

C. M. McLean

Charlottetown, P.E.I.

Central Bedeque, P.E.I.

O'Leary, P.E.I.

Charlottetown, P.E.I.

NEWFOUNDLAND

Government

R. S. Chancey

E. J. O'Brien

Atlantic Provinces Chamber of Commerce

H. Manuel

Norman H. Smith

St. John's, Nfld.

St. John's, Nfld.

Corner Brook, Nfld.

St. John's, Nfld.

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

Roger Breau, Assistant Transportation & Distribution Officer

Ross Palmer, Traffic Analyst

Austin Durant, Traffic Analyst

Peter Vuillemot, Assistant Traffic Analyst

Dale Ronalds, Assistant Traffic Analyst

Sheldon B. Steeves, Research Officer & Accountant

Debbie Cain, Senior Tariff Clerk

Glenn Gildart, Junior Tariff Clerk

Ruth Berryman, Staff Secretary

Cathy Peters, Assistant Staff Secretary

Trudy Lockerbie, Assistant Staff Secretary

1977 - 1978

EXECUTIVE

COMMITTEE



GLENDON EDDY

Chairman

Bathurst, N. B.



G. D. WRIGHT

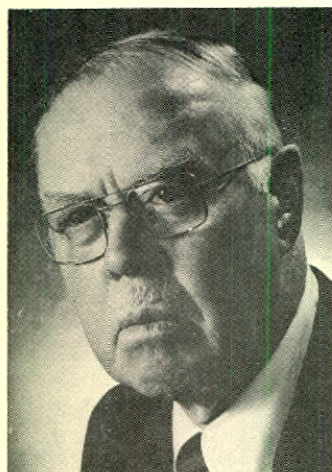
Vice-Chairman

President

Campbell & Burns Limited

Central Bedeque

P.E.I.



DAVID G. BURCHELL

North Sydney, N. S.

1977 - 1978

EXECUTIVE

COMMITTEE



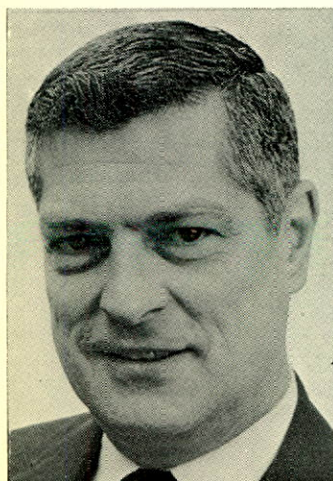
D. J. MacDOUGALL

Director, Transportation Policy
and Planning
Province of Nova Scotia
Halifax, N. S.



K. A. MacKENZIE

Director of Transportation
Province of Prince Edward Island
Charlottetown, P.E.I.



E. J. O'BRIEN

Director of Transportation
Province of Newfoundland
St. John's, Nfld.

1977 - 1978

EXECUTIVE

COMMITTEE



NORMAN H. SMITH

St. John's, Nfld.

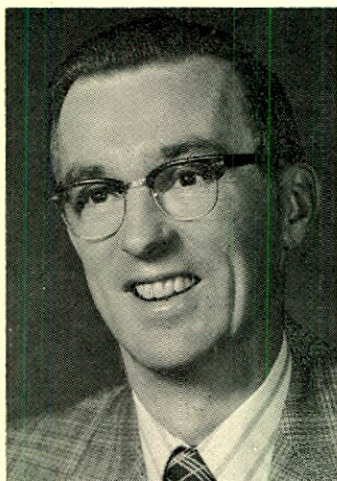


D. G. WALES

Senior Transportation Policy Officer

Province of New Brunswick

Fredericton, N. B.



CRAIG S. DICKSON

General Manager

Moncton, N. B.

COMMISSION STAFF



LEFT TO RIGHT: Sheldon Steeves, Trudy Lockerbie, Lorne Mitton, Debbie Cain, Peter Vuillemot, Ruth Berryman, Craig Dickson, Ramsay Armitage, Dale Ronalds, Austin Durant, Ross Palmer, Cathy Peters, Roger Breau, Glenn Gildart.

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 and 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 over-all 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 submission in regards to Federal or Provincial policy as shall be approved by its Directors, the Provincial Governments, or both.

The services of the Commission are available free of charge by contacting the Commission's office at 236 St. George Street (Room 210), Moncton, N. B. Inquiries should be directed to the General Manager, Atlantic Provinces Transportation Commission, P. O. Box 577, Moncton, N. B. E1C 8L9. Phone (506) 855-0031, Telex 014-3842.

GENERAL TRANSPORTATION REVIEW

RAIL

Railway loadings in Canada increased slightly in 1977, as shown in the table below:

<u>Railway Carloadings 1977</u>			
	<u>1977</u>	<u>1976</u>	<u>% Change</u>
	(Tons x '000)	(Tons x '000)	
Carload Traffic Loaded	249,946	240,135	+ 4.1
Non-Carload Traffic Loaded	1,166	1,127	+ 3.5

Source: Statistics Canada Railway Carloadings, December 1977, Catalogue 52-001

Payments received to December 31, 1977, by both major railways under terms of the National Transportation Act in respect of the maintenance of services on uneconomic branch lines and unprofitable passenger services 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 1976

(Payments to December 31, 1977)

<u>Sections 256 and 258 of the Railway Act</u>	<u>Canadian National Railways</u>		<u>Canadian Pacific Limited</u>	
	<u>Claimed</u>	<u>Paid</u>	<u>Claimed</u>	<u>Paid</u>
In respect of uneconomic branch lines	\$ 67,196,055	\$ 42,913,686	\$50,950,925	\$37,992,644
<u>Section 261 of the Railway Act</u>				
In respect of unprofitable passenger service	\$203,061,773	\$145,088,661	\$48,067,786	\$35,989,385
Totals:	\$270,257,828	\$188,002,347	\$99,018,711	\$73,982,029

Source: Canadian Transport Commission, Eleventh Annual Report

A further breakdown of the subsidies paid for uneconomic branch lines and unprofitable passenger services on a regional basis is shown below. Payments in respect of services in the Atlantic Provinces increased approximately 10% over the previous year. Correspondingly, payments to the rest of Canada increased approximately 8%. For the first time the subsidy includes payments in respect of branch lines in Eastern Canada.

Payment to Canadian National Railways and
Canadian Pacific Limited Under Terms of the
National Transportation Act in Respect of Year 1976

(Payments to December 31, 1977)

Canadian National Railways	Atlantic Provinces	Central Canada	Western Canada	Through Services Between Central and Western Canada
Section 256 (unprotected branch lines)	\$ 27,609	\$ 10,355	\$ 56,540	Nil
Section 258 (guaranteed branch lines)	Nil	Nil	\$42,819,182	Nil
Section 261 (passenger train service)	\$31,109,191*	\$53,062,471	\$13,641,473	\$47,275,526
Canadian Pacific Limited				
Section 256 (unprotected branch lines)	\$ 98,844	\$ 118,935	\$ 564,882	Nil
Section 258 (guaranteed branch lines)	Nil	Nil	\$37,209,983	Nil
Section 261 (passenger train service)	\$ 3,553,690	\$ 3,473,623	\$ 756,038	\$28,206,034
TOTALS:	\$34,789,334	\$56,665,384	\$95,048,098	\$75,481,560

* Includes Maritime passenger train services east of Montreal which cover a major part of the Province of Quebec.

Source: Canadian Transport Commission, Eleventh Annual Report

In a decision dated May 31, 1977, the Canadian Transport Commission found that the branch line from Caledonia Junction to Caledonia, a distance of 21.92 miles, was uneconomic but essential. CN Rail was therefore instructed to continue operations over this line.

In February 1978 the Federal Government created VIA Rail Canada Inc. to administer and market all rail passenger services in Canada. VIA Rail will be a separate crown corporation with its own employees and equipment. This change is being made in an attempt to improve rail passenger service in Canada. VIA Rail is expected to begin operations in 1978.

On December 19, 1977, the Minister of Transport introduced in the House of Commons Bill C-17, an Act to amend the Canadian National Railways Capital Revision Act and the Railway Act. This Bill relieves Canadian National from certain debts amounting to approximately \$808 million. At year end, this legislation had received second reading and had been referred to the Standing Committee on Transport and Communications.

The year 1977 was a good one financially for the Canadian railways. While the Annual Reports of neither Canadian National or Canadian Pacific are available at time of writing, Canadian National's President has indicated that C.N. will record a profit for 1977 of approximately \$28 million. This

is the highest profit for the railway since 1943. The 1977 profitable year is the second successive one following twenty years of deficits. In the case of C.P., indications are that its financial position in 1977 showed improvement over 1976 with increases being recorded in both revenues and tonnage.

Highway

On May 25, 1977, Transport Minister Otto Lang announced federal government intentions to spend up to \$125 million on transportation services in the Atlantic Provinces, subject to formal agreement with the Atlantic Provinces' governments on a cost sharing arrangement. The program was designed to upgrade the primary highway network, to improve passenger transportation, and to rationalize freight and passenger subsidy payments. The program will see \$100 million of these monies spent on highways and bridges in the Atlantic Provinces by the federal government over a three year period.

In November 1977 the Nova Scotia government announced their intention to increase the legal gross highway weight limit in that province from 85,000 lbs. to 110,000 lbs. in order to be comparable with other provinces. This decision was conditional depending upon agreement of the above federal-provincial cost sharing arrangement to upgrade the province's highway system.

Highway weight restrictions during the 1978 spring thaw period were lessened on a number of routes in New Brunswick. As a result of the overall improvement in spring weight restrictions and the promise of higher uniform maximum weights for the Atlantic Provinces generally, the highway carriers have relaxed the application of a rate surcharge during the 1978 spring thaw period. Only one major carrier imposed a rate surcharge, as such, during the 1978 spring thaw period; however, where weight restrictions curtail payloads, shippers still incur a penalty as a result of minimum weight applications. Highway weight restrictions imposed in the Province of Quebec during the spring thaw period continue to represent a burden on carriers and shippers as a result of reduced payloads.

Air

The Federal Department of Transport announced funds for construction and renovations at several airports in the Atlantic region during 1977.

On November 9, 1977, \$21.5 million was announced to provide a 43,000 sq. ft. modern airport facility and an additional 5,000 ft. runway at Charlottetown, P.E.I. Tenders were to be called early in 1978 with completion scheduled for 1981.

On July 23, 1977, it was announced that Wabush City would receive a 28,580 sq. ft. air terminal facility valued at \$11 million. It would replace the existing structure built in 1962 by Wabush Mines Iron Ore Company and Quebec Cartier. Airstrips were also announced for Nain and Makkovik, Labrador, at a cost of \$4 million.

The Gander, Nfld., terminal facilities were to receive renovations and expansion valued at \$6.5 million, to be completed by 1979. This was announced on July 11, 1977.

Work began on November 22, 1977, on a new airport at St. Leonard, N.B., valued at \$3.7 million. It will consist of a 4,000 foot runway, air terminal buildings and navigational aids.

In late 1977 Coastal Aviation Ltd. of Halifax, N.S., purchased Atlantic Central Airlines Ltd. of Saint John, N.B. Atlantic Central had operated local air services between Bathurst, Fredericton, Saint John, N.B., and Bangor, Me., but discontinued operations in 1976 just prior to receiving approval by the Canadian Transport Commission to service additional points in New Brunswick and Digby, N.S. At year end, Coastal has indicated that it will be establishing shortly service linking several New Brunswick points and re-establishing the Bangor, Me., route.

On May 9, 1977, Quebecair began passenger flights between Charlo, N.B., and centres in Quebec. A Beechcraft B-99 aircraft was used.

Air Canada and Eastern Provincial Airways have made application to increase domestic air fares by approximately 4% on April 1, 1978.

As the Annual Report of Air Canada had not yet been tabled in the House of Commons at the time of writing this report, accurate statistics are not available. However, the airline is expected to show a profit in the area of \$30 million for the year under review. Eastern Provincial Airways suffered its third loss in a row, however, a profit is anticipated for 1978. A brief table of statistical highlights is shown below:

	AIR CANADA			EASTERN PROVINCIAL AIRWAYS		
	1977	1976	Percent Change	1977	1976	Percent Change
Revenue Passengers Carried	*	10,860,000	*	668,888	593,099	+ 12.8
Revenue Passenger Miles (x '000)	*	10,705,040	*	257,092	224,641	+ 14.4
Freight Ton Miles (x '000)	*	247,509	*	2,777	2,666	+ 4.2
Passenger Load Factor	*	61%	—	52.7%	45.0%	—
Net Income (loss) After Taxes	*	(\$10,455,000)	—	(\$942,085)	(\$999,844)	—

* Not Available At Time of Printing

Source: Air Canada and Eastern Provincial Airways

Ports

Total cargo tonnage increased overall at N.H.B. ports in the Atlantic Provinces by 33.6% for 1977. This consisted of substantial increases at Saint John, N.B., and Halifax, N.S., and slight decreases at St. John's, Nfld., and Belledune, N.B.

Labour disputes at United States ports in the latter part of 1977 along with a shutdown of the port in 1976 were contributing factors in the increase of container traffic at Halifax. Another factor was the use of the Halifax port by Cast Container Services from April, 1977, to June, 1977, due to a dispute with the Montreal branch of the Maritime Employers' Association.

Waterborne Cargo Tonnage, Loaded or Unloaded at N.H.B.
Ports of Saint John, N.B., Halifax, N.S., St. John's, Nfld.,
and Belledune, N.B.

All Cargo					
Calendar Year	Saint John	Halifax	St. John's	Belledune	Total
1977	9,255,434	15,462,140	1,018,957	244,275	25,980,806
1976	6,061,234	12,064,259*	1,030,250	292,999	19,448,742
Increase or (Decrease)	3,194,200	3,397,881	(11,293)	(48,724)	6,532,064
% Change	+ 52.7	+ 28.2	- 1.1	- 16.6	+ 33.6
General Cargo					
1977	1,460,748	709,301	278,218	—	2,448,267
1976	1,070,201	532,984*	224,887	—	1,828,072
Increase or (Decrease)	390,547	176,317	53,331	—	620,195
% Change	+ 36.5	+ 33.1	+ 23.7	—	+ 33.9
Container Cargo					
1977	1,097,192	1,961,195	47,523	—	3,105,910
1976	1,069,398	1,056,692*	11,233	—	2,137,323
Increase or (Decrease)	27,794	904,503	36,290	—	968,587
% Change	+ 2.6	+ 85.6	+ 323.1	—	+ 45.3

* Labour dispute, Port Closed 11 Weeks During 1976

Source: National Harbours Board

The first phase of the New Navy Island Forest Products Terminal at the port of Saint John, N.B., was completed before the end of 1977 and a tender will soon be awarded for the final phase of the terminal. The total floor area of the terminal will be 290,000 square feet, making it by far the largest enclosed facility in any Canadian port. In January, 1978, a third container crane, having a 45 ton capacity, went into operation at Saint John's Rodney container terminal. Two areas of the inner harbour, Pugsley Terminal South and West Long Wharf, at the port of Saint John, are under active consideration for expansion. Late in 1977 the N.H.B. was preparing a submission to the Treasury Board requesting sufficient funds for the development of Pugsley Terminal South.

At Halifax, a \$29.1 million grant from the Federal Government was allocated for construction of a second container pier at Fairview Cove. The new pier will have a 1,000 ft., two crane berth and a ro-ro ramp. Work has already begun on the new terminal using part of the \$6.5 million committed to the project by the Province of Nova Scotia.

In August 1977, Saint John, N.B. was chosen as the Canadian port of call by the Hansa Line of West Germany for its monthly container service originating in the Persian Gulf. At the same time, Seaspeed Services commenced operation of a new monthly roll on/roll off service from Halifax, N.S. to the Middle East.

Atlantic Container Lines announced in September, 1977, that it was moving a major part of its operation from Halifax to the port of Montreal.

A.C.L., the second largest container line operating through the port of Halifax, will continue to unload cargo intended for the Atlantic region.

During the year, with the introduction of newer, larger vessels, Hapag Lloyd began a direct weekly service eastbound from the port of Halifax to the United Kingdom and Continent that resulted in a six-day cut in transit time from fourteen days to eight days.

During the past year the capacity of the Dart Canada service through Halifax was increased by roughly one-third with the addition of a fourth ship, the *Dart Canada*, to its fleet. With this additional capacity, the Dart service was extended to include a direct call to Hamburg and, for the first time for this service, reefer containers will be provided.

In Saint John efforts have been made to establish regular sailings from Saint John to Northern Spanish ports with the first sailing of a vessel operated by Spanish Line.

Through the recent appointment of Atlantic Container Line as General Agent in Canada for Bermuda Express Service, a second container service to Bermuda has been established for Atlantic Provinces exporters. A.C.L. will handle such containers on its Halifax to New York service where transfer is made to the Bermuda Express vessel for onward carriage to Bermuda.

Ferries

Passenger and auto traffic remained relatively constant in 1977 with the previous year's figures on several of the major ferry routes, however, there were some exceptions. The North Sydney - Argentia service showed a sharp decline as a result of a reduction in service. The Yarmouth - Portland service, operated by Prince of Fundy Cruises during the summer months, showed a reduction in traffic as a result of the use of only one vessel in place of two vessels the previous year. CN Marine operated this service during the winter months with increased volumes largely because the 1977 operations covered 4½ months as compared with one month in 1976. The Saint John - Digby service showed healthy traffic increases.

Commercial vehicle traffic showed a large increase overall in 1977. The only significant reductions were on the North Sydney - Argentia and Yarmouth - Portland services. Statistics for the year 1977 appear below, with 1976 figures in brackets.

Service	Passengers		Automobiles		Trucks and Tractor Trailers	
Cape Tormentine-Borden	1,476,394	+ 1.3%	437,885	+ 1.3%	136,073	+ 21.5%
	(1,457,654)		(432,471)		(112,003)	
Wood Island-Caribou (1)	497,507	— 1.9%	138,436	— 4.4%	55,286	+ 8.2%
	(507,196)		(144,788)		(51,092)	
North Sydney-Port aux Basques	285,340	— 1.6%	63,218	+ 1.5%	38,706	+ 13.4%
	(289,913)		(62,256)		(34,124)	
North Sydney-Argentia (2)	28,350	— 32.1%	7,244	— 31.7%	73	— 67.4%
	(41,769)		(10,600)		(224)	
Yarmouth-Bar Harbour (3)	90,158	+ 2.6%	24,499	+ 1.0%	804	— 4.2%
	(87,882)		(24,263)		(839)	
Yarmouth-Portland (4)	129,951	— 4.9%	23,514	— 23.9%	1,784	— 37.4%
	(136,605)		(30,892)		(2,817)	

	(5)	2,649 +384.3%	688 +276.0%	586 +368.8%
		(547)	(183)	(125)
Saint John-Digby		201,008 + 7.5%	48,803 + 11.6%	25,553 + 9.0%
		(187,070)	(43,718)	(23,443)

- (1) 1977 operated April 28 to December 10
1976 operated April 23 to December 2
- (2) June 17 to September 10, 1977 — service was tri-weekly only as compared with six trips a week during roughly the same period in 1976
- (3) 1977 operated May 2 to December 10
- (4) 1977 operated May 4 to October 30 by Prince of Fundy Cruises
1976 operated May 7 to October 30 by Prince of Fundy Cruises
- (5) 1977 operated January 1 to April 25 and December 15 to December 31 by CN Marine
1976 operated November 28 to December 30 by CN Marine

Source: CN Marine
Prince of Fundy Cruises
Northumberland Ferries Ltd.

On July 6, 1977, the CN Marine ferry *William Carson* sank enroute from St. Anthony, Nfld., to Goose Bay, Lab., with no loss of life. The report of a judicial inquiry into the cause of the sinking had not been made public at year end. The rail car ferry *Sir Robert Bond* is to be converted to carry automobiles and passengers for the Labrador service as a replacement for the *William Carson*. It will have a capacity of 200 passengers and is scheduled to go into service on July 1, 1978.

On September 27, 1977 the awarding of a federal contract in the amount of \$2.9 million was announced for renovations and expansion to ferry terminal facilities at Port aux Basques, Nfld. The expansion will better facilitate present ferries and, in addition, accommodate a new generation of rail ferries which are presently in the planning stages.

Effective March 1, 1978, new rates for automobiles and passengers went into effect on the Borden — Cape Tormentine and Wood Islands — Caribou ferry services. The new rates will remain the same year round on the respective services and will be lower than the previous summer rates and higher than the previous winter rates. The rates for commercial vehicles were not affected. The rates for automobiles and passengers were not changed to increase overall revenue, but as the result of representations from the Province of Prince Edward Island.

The *M.V. Marine Evangeline* was inaugurated on the Yarmouth, N.S. — Portland, Maine, ferry service during the week of April 3, 1978, to replace the *Marine Cruiser*. The *Evangeline* is a roll on — roll off ship with bow and stern doors capable of carrying tractor trailers. This modern new vessel was designed primarily to meet the needs of the trucking industry and provides five times more capacity for tractor trailers per sailing than was offered by the *Marine Cruiser*.

GENERAL LEVEL OF RATES

Rail Rates — Domestic

During the period under review, the Canadian railways increased their freight rates by amounts ranging from 7% to 12%. Consistent with the pattern set in previous years, the increases were applied to commodity

groups in open tariffs from June 1, 1977, until January 1, 1978. Some specific rates received lower increases as a result of negotiations between the shippers and the railways. In March, 1978, the railways announced their 1978 program of staggered rate increases to begin on May 1, 1978.

Railway agreed charge rates were increased effective September 1, 1977. Each agreed charge was re-negotiated on an individual basis with the shippers involved. Increases ranged from 3% to 18% with the majority falling within the 7% to 10% range.

Rail piggyback Plan II rates (door to door service using railway operated trailers transported on railway supplied flat cars) were increased during the year in review as follows:

Between the Atlantic Provinces and Ontario

Date	Category	Increase	
		Westbound	Eastbound
Oct. 3/77	General Scale	8%	8%
	Commodity	15%	5-10%

Between the Atlantic Provinces and Quebec

Date	Category	Increase	
		Westbound	Eastbound
Sept. 1/77	General Scale	15%	15%
	Commodity	15%	8%
Mar. 28/78	All Rates	3%	3%

The above increases were identical to those imposed by highway carriers on truckload traffic on earlier dates.

On May 3, 1977, CN Piggyback eliminated their westbound general scale rates from the Atlantic Provinces to Central Canada for weights of less than 24,000 lbs. The only exception was the retention of the rates for the lower minimum weights on routes competitive with CP Piggyback.

New point to point rail piggyback rates on Freight All Kinds, were established by CN Piggyback from major points in the Maritime Provinces to certain points in Newfoundland. These rates, on a minimum of 40,000 lbs., became effective July 25, 1977.

Rail Rates — International

Significant changes occurred in international rail rates between Canada and the United States during the period under review.

On June 1, 1977, rail freight rates on certain specific commodities published between Eastern Canada and the Eastern United States were reduced by approximately 2%. This action followed a six year struggle between shippers and carriers as to the proper application of an April, 1971, international rail rate increase. The reduction applied only to those commodities that were increased by 14% instead of 12% at that time.

On August 31, 1977, railways operating within the Eastern United States and Canada filed selective rail rate increases on various commodities ranging from 5% to 7%.

A general rail rate increase between Canada and the United States of 5% occurred on November 30, 1977, followed by a further increase in class rates between the Eastern United States and Eastern Canada of 7% effective January 28, 1978.

Express

A number of express rate increases on traffic from, to and within the Atlantic Provinces were implemented during the year. The following table summarizes these changes.

Table of Increases In Rail Express Rates
From, To And Within The Atlantic Provinces

	Eastbound	Westbound	Within
	<u>General Scale</u>		
April 4/77	—	—	5 to 10%
July 4/77	9%	9%	—
Oct. 3/77	—	—	8%
Jan. 2/77	8%	8%	—
	<u>Point to Point Rates</u>		
April 1/77	5 to 10%	—	—
April 4/77	—	—	5 to 10%
Oct. 3/77	5 to 10%	—	—
Dec. 5/77	—	—	3 to 6%

On July 4, 1977, concurrent with the general scale increase, a number of new point to point rates were established from the Atlantic Provinces to Quebec and Ontario at the former general scale level.

On November 1, 1977, air express rates within Canada were restructured. The rates, which in November 1976 were changed from being express in whole dollars per shipment to cents per shipment, were again changed to being expressed in whole dollars per shipment. The result of this latest restructuring meant an increase in some cases and a decrease in other instances.

Truck Rates

Truck rates within the Maritimes, as published by the Atlantic Provinces Motor Carrier Tariff Bureau in tariff 5000B on behalf of member carriers, were increased on December 1, 1977. Minimum charges were increased from 5% to 25%, while Freight All Kinds rates were increased by amounts ranging from 3% to 8%. At the same time, individual commodity rates were renegotiated with the parties involved.

Truck rates between the Province of Newfoundland and the Maritimes, as published by the Atlantic Provinces Motor Carrier Tariff Bureau, were increased on September 1, 1977, by amounts ranging up to 8% and again on March 1, 1978, by amounts ranging up to 10%.

On October 1, 1977, truck rates between the Atlantic Provinces and Ontario, as published by the Atlantic Provinces Motor Carrier Tariff Bureau, were increased as follows:

Class and Freight All Kinds Rates	—	8%
Eastbound Commodity Rates	—	5% to 10%
Westbound Commodity Rates	—	15%

As of year end, further increases were announced to become effective April and May, 1978.

During the period under review, truck rates between the Atlantic Provinces and Quebec were increased on two occasions. On July 11, 1977, after an intervention by the A.P.T.C. that is covered in another section of this review, the following increases became effective:

Freight All Kinds and Class Rates	—	10%
Commodity Rates — Westbound	—	15%
— Eastbound	—	8%

Again, on January 9, 1978, Freight All Kinds and Class rates were increased from 3% to 10% while all commodity rates advanced by 3%.

Insofar as truck rates to and from the United States are concerned, there are through rates between the Maritime Provinces and the New England and Middle Atlantic territories. These rates have been increased as follows:

Effective Date	New England		Middle Atlantic	
	LTL	TL	LTL	TL
April 1/77	9%	5.5%	7.75%	6.5%
July 21/77	—	—	2%	2%
April 3/78	9%	5.5%	7.5%	6.5%

Between the Maritimes and other territories in the United States, combination rates apply with the rate factors being subject to varying increases depending on the territory involved.

Pool Car and Domestic Water Rates

Pool car rates on traffic from Ontario to the Maritimes were increased by 8% on September 6, 1977. At the same time, rates from Quebec to the Maritimes were increased by 6% to 10%.

Class and commodity rates published by Newfoundland Steamships Limited were increased by 12% on traffic from Montreal, Que. to Corner Brook and St. John's, Nfld., effective June 1, 1977.

ATLANTIC REGION FREIGHT ASSISTANCE PROGRAMS

Payments under the Maritime Freight Rates Act and the Atlantic Region Freight Assistance Act for the year 1977 were approximately \$46 million, representing an increase of 8% over the previous year. Details of the payments for the past two years are as follows (decreases shown in brackets):

Table Showing Payments Under
The Atlantic Region Freight Assistance Programs

(\$ x'000)			
Calendar Year	Rail	Truck	Total
		Intra-Regional	
1977	9,535	21,458	30,993
1976	9,892	17,848	27,740
		Westbound - Basic	
1977	6,452	5,156	11,608
1976	7,212	4,243	11,455
		Westbound - Selective	
1977	1,908	1,555	3,463
1976	2,070	1,270	3,340
		Intra-Regional Westbound Combined	
1977	17,895	28,169	46,064
1976	19,174	23,361	43,535
Change	(1,279)	4,808	3,529
	(6.7%)	20.6%	8.3%

Source: Canadian Transport Commission

Selective Westbound Assistance

The Commission, in co-operation with the transportation sections of the four Atlantic Provinces' Governments, continued its assistance to firms applying for this subsidy that applies on shipments by for-hire carriers of goods that have been grown, harvested or subjected to a manufacturing process within the so-called select territory, and then shipped from this region to Central or Western Canada.

During the year the following commodities were added to the extensive list of eligible commodities: automotive radiator cores; peat flower pots; tractors; velocipedes; wooden door frames; synthetic belts; cans; grinding slugs; motor vehicle seat bases; aluminum wheels.

Intra-Regional Assistance

During the year, long expected changes in this program which applies to goods moved by for-hire carriers **within** the Atlantic region were announced by the Minister of Transport, the Honourable Otto Lang. It will be recalled that the decision had already been made by the Federal and Provincial Governments that a selective subsidy on certain commodities would better serve the needs of the region than the present blanket subsidy.

The present blanket intra-subsidy program will be continued until September 1, 1978. On that date, the program will be changed to a selective one. From September 1, 1978, to September 1, 1979, a subsidy of 7½ %

will be paid on those commodities which are no longer eligible under the selective subsidy program, after which time it will be eliminated completely on such commodities. Originally, it was planned to abruptly terminate subsidy payments on non-eligible commodities; however, agreement was reached by the Federal Minister of Transport and the four Atlantic Provinces to phase-out the subsidy on such commodities.

The following summarizes, at the time of writing, salient points concerning the revised subsidy program:

- 1) The amount of subsidy will remain at 15%.
- 2) A subsidy will continue to be paid directly to the carrier.
- 3) The subsidy will be paid only on an approved list of goods that are grown, harvested or subjected to a manufacturing process in the Atlantic Region.
- 4) The new program will be extended to both the marine and air modes in addition to truck and rail traffic as at present.
- 5) Those commodities not eligible under the new program will receive the present 15% subsidy up until September 1, 1978; a 7½ % subsidy from September 1, 1978, to September 1, 1979, and no subsidy after that date.

The Atlantic Provinces Transportation Commission is continuing to participate in meetings with Federal and Provincial Government officials concerning the specific regulations that will govern the application of the new subsidy program.

MARITIME CODE ACT

The major development during the year concerning the Maritime Code Act and coastal shipping regulations occurred in early August 1977 when the Honourable Otto Lang, Minister of Transport, released to the public a position paper dealing with the policy implications of a proposed bill on the Coasting Trade of Canada. In that position paper, a possible draft Coasting Trade Bill was included which, among other things, outlined the purpose of such an Act to be the facilitation of a greater participation by Canadian ships in the Coasting Trade of Canada. The proposed Act also embodied certain of the provisions which had previously been proposed to be implemented through regulation. It provided for the non-application of the Act to the inter-coastal trade: that is, between the Pacific coast and the Atlantic coast, except that inter-coastal trade may be subject to the Act during such periods as the Governor-in-Council may prescribe by regulation.

The Atlantic Provinces Transportation Commission considered the position paper at its October 4, 1977 meeting and submitted its views to the Minister of Transport. In its submission, the Commission stressed that the purpose of the Act, while emphasizing a greater participation by Canadian ships in the Coasting Trade of Canada, must also emphasize the economic, efficient, and competitive movement of goods. Accordingly, the Commission suggested certain revisions to the proposed purpose of the Act.

Also, the Commission opposed the authority being given to the

Governor-in-Council to close the inter-coastal trade to non-Canadian ships through the use of an Order-in-Council.

The Minister was urged to review the proposed regulations set out in the position paper with industry using marine transportation to ensure that efficient, economic, and competitive service for such users is not thwarted by the legislation and regulations.

Finally, the Commission urged the Minister to undertake a comprehensive cost-benefit analysis of the effects of the proposed legislation before proceeding further with it in order to identify whether, in fact, the new policy will produce advantages or disadvantages for industries and producers using coastal shipping and, if so, to what extent. The Commission pointed out that no such study had been done to quantitatively identify the advantages or disadvantages to the region of the proposed policy. Furthermore, the former Minister of Transport, the Honourable Jean Marchand, had indicated that, as one of the conditions of the understanding he had reached with the Atlantic Provinces concerning the coastal trade, if the proposed policy produced disadvantages which outweighed any identifiable advantages, the Government of Canada would introduce means to provide alternative compensation to the shippers of the area.

The Commission indicated to the Minister that it appreciated the dilemma faced by him in the pursuit of a policy to provide a greater Canadian presence in the marine world without, at the same time, adversely affecting the users of marine transportation. The Commission expressed the belief that other means should be utilized to promote domestic shipbuilding and a Canadian merchant marine.

In respect of the Commission's suggestion that the purpose of the proposed legislation required modification, the Minister of Transport, in his reply dated December 15, 1977, indicated that it would appear to be unwise to make "any further erosion of the basic principles of the coasting trade regulations". He also rejected the Commission's proposal pertaining to the inter-coastal trade. He declined to initiate a cost-benefit study on the grounds that a great variety of factors influenced costs in coastal shipping, hence, it would be "almost impossible to conduct a realistic cost-benefit study". It was the Minister's position that the proposed legislation attempts to establish a system which would be fair to both the Canadian shipping industry and to the shippers themselves on a flexible basis in spite of the potential fluxuation of costs in this area.

The Atlantic Transport Users Association (of which the General Manager of the Atlantic Provinces Transportation Commission serves as Secretary) continued its efforts during the year to secure acceptable proposals that would not adversely affect the cost of transportation and the economic development and growth of industries in the Atlantic region using marine transportation. A submission by the Users Association to the Minister of Transport followed closely that of the A.P.T.C. In response to that submission, the Minister of Transport rejected the Association's proposal that the purpose of the proposed Act required modification. He stated that, if the purpose were amended to provide for the facilitation of the movement of goods in the Coasting Trade of Canada and to provide for the economic, efficient, and competitive services by ship, would "provide no protection whatsoever for the Canadian shipping industry. Moreover, the adoption of your proposals would change the Bill into a mere device

to collect revenue for the use of foreign ships rather than introducing a fair measure of control over the Coasting Trade."

From this response both to the Commission and to the Atlantic Transport Users Association, it is apparent that this region of Canada must continue to pursue with vigour the necessity of changes in the proposed legislation to ensure that the revision of the Coastal Trade laws of Canada will not have a detrimental and adverse effect upon the marine users of transportation in Atlantic Canada.

Progress on implementing a Maritime Code for Canada during the year under review continued with Bill C-41 receiving Third Reading in the House of Commons on May 12, 1977. On that date the Bill was introduced in the Senate and on May 18th referred to the Standing Senate Committee on Transport and Communications. The Bill received Third Reading in the Senate on October 14, 1977 but it required approval in the House of Commons of certain changes made by the Senate and such approval was not possible before prorogation of the Second Session of the 30th Parliament on October 17, 1977. Consequently, that portion of the Maritime Code Act which was embodied in Bill C-41 of the 2nd Session of the 30th Parliament will have to be re-introduced and approved by another session of both the House of Commons and the Senate before it becomes law.

PILOTAGE MATTERS

On May 18, 1977 the Water Transport Committee of the Canadian Transport Commission held public hearings in Halifax, N.S. in the matter of notices of objections filed by the Dominion Marine Association and the Province of Nova Scotia concerning a proposed increase in the tariff of pilotage charges averaging 24% at Atlantic Provinces ports under the jurisdiction of the Atlantic Pilotage Authority (APA). This hearing was preceded by a public inquiry under the direction of Mr. Richard J. F. Hodgson of the Canadian Transport Commission where the APA's financial status and related matters were examined. These two hearings occupied a total of five days.

The A.P.T.C. attended both hearings and made a submission on May 18th. In that submission, the A.P.T.C. urged, among other things, that the Water Transport Committee recommend to the Government of Canada that the entire operations of the APA be subject to investigation and review. The A.P.T.C. submission zeroed in upon the effects that the proposed increase in minimum charges and moveage charges would likely have on the port of St. John's, Nfld. The A.P.T.C. pointed out that these charges fell heavily upon the fishing trawler trade using that port and increases as proposed could drive this traffic to alternative ports, particularly in St. Pierre et Miquelon.

In its decision (WTC 4-77), dated June 29th, the Water Transport Committee generally approved an increase of slightly less than the 10% sought by the Authority in minimum charges and moveages. In the case of St. John's, the minimum charges and moveage charges were set considerably lower than proposed by the APA. In addition, it authorized the introduction of a separate pilot boat charge estimated to be 50% of the cost of providing pilot boat service. The APA sought a pilot boat charge of 40% of the cost of providing the service. These changes would produce an estimated overall revenue increase to the APA of 24.8%.

Pursuant to a suggestion made in the CTC Decision WTC 4-77, the APA convened a meeting in Ottawa in December to explore a revised formula for assessing pilotage charges. The A.P.T.C. attended that meeting along with representatives of the Dominion Marine Association, the Shipping Federation of Canada, and the Canadian Chamber of Shipping.

With increasing emphasis on "user pay", the trend has been to relate charges closely to costs. Pursued to its ultimate, this would mean that ships, regardless of their size, would pay the same pilotage fee at the same ports which could place too heavy a burden on the small ships. The CTC placed a proposal before the various parties which would see pilotage charges made up of two parts; a basic charge covering the pilot boat costs and other direct costs associated with an assignment, plus a variable charge depending upon the size of ship which would be designed to recover across the broad range of ships the remaining costs including administrative overhead.

A further meeting was called by the APA in March 1978. That meeting did not produce any clear cut decision on the acceptability or otherwise of the revised tariff structure. This was partly due to the lack of information from either the CTC or the Authority as to the level of rates that would be implemented under such a revised structure.

During these two meetings, the Authority indicated to the representatives of the Associations attending that it will be seeking an increase in pilotage charges in the APA area in the coming months. The level of such a proposed increase was not clearly stated. The Authority did indicate, however, that even with the increase it was proposing, it would still be in a deficit position of approximately \$500,000 in 1979.

On March 29, 1978 the APA advised the A.P.T.C. that it is proposing to publish in the Canada Gazette in late April or early May a proposal for an increase in its tariffs which would generate approximately \$765,000 additional revenue in the first twelve months after the tariff is in place. Furthermore, it indicated that it will seek at the same time a further increase to be implemented in the second twelve months which would generate another \$743,000 and which should, therefore, place the APA at or near the break even mark at the end of the implementation of the second increase step.

WITHHOLDING TAX ON FOREIGN CHARTER

During 1977, the Atlantic Provinces Transportation Commission became aware of a draft interpretation bulletin issued by the Technical Interpretations Division of the Taxation Section of Revenue Canada, concerning the possibility of requiring a tax to be withheld by the Canadian charterer of the charter-hire paid to non-resident owners of ships or aircraft.

The A.P.T.C. concluded that to implement such a withholding tax would be detrimental to shippers and receivers. Traditionally, Canada has not taxed foreign shipping engaged in international trade and should such a tax be implemented the A.P.T.C. concluded that it would only result in (1) higher shipping cost for both Canadian importers and exporters; (2) administrative burdens in terms of paper work and costs in order to establish the amount of tax to be withheld; and (3) an added deterrent to

foreign ship and aircraft owners and operators to enter into operations with Canadian exporters and importers because of the added cost of the tax and the administration should the tax be recoverable by way of a reciprocal tax arrangement.

Accordingly, the A.P.T.C. recommended that the proposed interpretation bulletin not be implemented but, rather, if the present legislation requires a change in Canada's long standing policy of not applying a tax of this nature, that action be taken to amend the legislation so that the long standing policy might be continued.

SHIPPING CONFERENCES EXEMPTION ACT

During the past year the Water Transport Committee of the Canadian Transport Commission undertook an inquiry into the practices of shipping conferences and the requirement for continuing conditional exemption from the provisions of the Combines Investigation Act. The present legislation under the Shipping Conferences Exemption Act is due to expire on March 31, 1979.

Acting on behalf of its Board of Directors and the Governments of the four Atlantic Provinces, the A.P.T.C. submitted a brief in support of the continued conditional exemption of the shipping conferences from the Combines Investigation Act. Among other things, the brief stressed the importance of the requirement that conference line rates be available to the public; however, it was also pointed out that more stringent regulations would only place additional burdens and costs on the steamship lines which would ultimately be reflected in freight rates.

While the A.P.T.C. submission supported the general concept of steamship conferences, the brief sought recognition in the form of lower rates and charges on export and import container traffic **originating** or **terminating** in the Atlantic Provinces. At the present time, conference line ocean rates are largely equalized as between St. Lawrence and Atlantic ports, despite the additional costs incurred by the steamship lines through absorptions of overland rail rates between the Atlantic ports and points in Quebec and Ontario.

The Water Transport Committee concluded, as recorded in its report dated January, 1978, "... that there is an ongoing need for conditional exemption legislation, and ... that any new statute should contain provisions generally similar in style to those contained in the present Act". The Committee also concluded that not only is there no support for increased governmental regulatory powers in relation to shipping conferences, but also that "... a Federal Government presence at shipper conference meetings would only serve to inhibit discussion".

With regard to the specific complaint over equalization of conference lines rates between St. Lawrence and Atlantic ports, the Committee was sympathetic to the concerns expressed by the A.P.T.C. None the less, the Committee expressed doubt that the type of legislation contemplated as the replacement for the Shipping Conferences Exemption Act is the appropriate vehicle for addressing this question.

HOUSE OF COMMONS TRANSPORT COMMITTEE HEARINGS

During late May and early June 1977, the House of Commons Standing Committee on Transport and Communications undertook public hearings in the region "... for the purpose of examining transportation facilities and studying transportation problems in the Atlantic Provinces ...". One-day hearings were held in St. John's, Nfld., Saint John, N.B., and Halifax, N.S. at which time briefs were presented by various bodies from both the private and public sectors. Despite the relatively short notice prior to the hearings, a total of twenty-three briefs were presented.

The A.P.T.C. was represented at each of the hearings and appeared before the Committee at the Halifax hearing on June 2nd. The presentation of the A.P.T.C. included:

- An outline of the A.P.T.C. in terms of its objective and services (a copy of the Annual Report for 1976-77 was given to each of the Committee members).

- A general description of the transportation problems of this region as they relate to distance from markets and from sources of raw and semi-manufactured materials.

- A positive statement of the benefits stemming from the transportation assistance programs under the Maritime Freight Rates Act and the Atlantic Region Freight Assistance Act.

- An expression of concern over the disproportionate impact of rail freight rate increases on the Atlantic Region and the need for the reinstitution of the taper principle (i.e., a declining scale of percentages as the rate/distance increases).

- The need for up-grading many of the highways in the Atlantic Provinces to permit the carriage of goods at higher uniform maximum weights on a year-round basis.

- Other areas of concern included —

- *Proposed restriction of Canadian coastal trade to Canadian vessels.

- *Removal of subsidies on export grain and flour.

The various briefs and discussions heard by the Committee were recorded and are a matter of record. The Committee has not issued a report or presented any recommendations with regard to the hearings.

NEWFOUNDLAND TRANSPORTATION INQUIRY

On March 28, 1977, the Honourable Otto Lang, Federal Minister of Transport, and the Honourable Alex Hickman, Newfoundland Minister of Inter-Governmental Affairs, announced the establishment of a Commission of Inquiry to examine transportation services in Newfoundland and Labrador. The inquiry was headed by Dr. Arthur M. Sullivan, Principal of Memorial University Regional College in Corner Brook. Other members of the Commission are J. Burford Ploughman, a St. John's businessman, and Esau Thoms, General Chairman of the Brotherhood of Railway, Airline and Steamship Clerks, Freight Handlers, Express and Station Employees.

The general purpose of the inquiry was stated in its terms of reference to be the examination and report on issues related to the provision of domestic transportation services for Newfoundland and the assessment of the extent to which these services generally meet accepted Canadian norms. Furthermore, the Commission would consider appropriate levels of transportation services with choice of modes that will be required to meet future transportation needs in an efficient and cost effective manner. Overall, the Commission of Inquiry would take into consideration national and provincial social and economic objectives. In appointing the Commission, the Minister indicated that it was his hope that the inquiry could be completed by December 31, 1977. Subsequently, however, the inquiry sought an extension of this date to March 31, 1978. At the time of writing, the report of the inquiry has not yet been released.

Under the more specific terms of reference of the inquiry:

1) The Commission was instructed to inquire into the economic, social, demographic and geographic factors which create current and future demands for domestic transportation.

2) The Commission was to note the terms of reference and the constitutional obligations of the Government of Canada to Newfoundland in respect of transportation and to consider the current impact and application of these factors and the extent to which they may influence cost effective solutions.

3) The Commission would examine conditions which are unique to Newfoundland and the extent to which these factors influence the provision of domestic transportation.

4) The Commission would inquire into the efficiency and effectiveness of domestic transportation services including a review and evaluation of subsidies and transportation related government programs.

5) The Commission would consider the appropriate role for each mode in the provision of domestic transportation services in terms of the next five years, five to ten years, and beyond ten years.

6) The Commission would investigate the relationship between the provision of domestic transportation services and the achievement of regional and national employment and other social economic objectives.

7) The Commission would take into account national implications that would follow from any recommended solutions to the transportation problems.

8) The Commission would consider the appropriate roles, responsibilities and obligations of governments, carriers and users of transportation services and will assess them in terms of legislative, economic, social and commercial considerations.

In conducting the inquiry, to the extent it is considered relevant, the Commission was instructed to make use of all previous works, studies and investigations undertaken by, or on behalf, of governments.

While the A.P.T.C. did not file a submission with the "Sullivan" Commission of Inquiry, it did meet on three occasions with either the Commissioners or members of the Commission's staff, or both. In addi-

tion, the A.P.T.C. assisted the Government of the Province of Newfoundland in preparing its submission to the Sullivan Inquiry and was called upon by the Corner Brook Chamber of Commerce and the Stephenville Development Corporation for considerable assistance in the preparation of their submissions. The St. John's Board of Trade also consulted with the A.P.T.C. on certain aspects of its presentation.

QUEBEC TARIFF BUREAU CASE

On June 15 and 16, 1977, the A.P.T.C., represented by Mr. Francois Perreault of the firm of Paquette, Paquette, Perreault, Rivet & Groleau of Montreal, Que., appeared before the Quebec Transport Commission to formally present its case in opposition to a rate increase being sought by the Quebec Tariff Bureau on behalf of member highway carriers operating between the Atlantic Provinces and the Province of Quebec in the governing Tariff No. 120A.

In the application, the Quebec Tariff Bureau proposed increases of 8% eastbound and 15% westbound on commodity rates, 10% increase on freight all kinds rates, minimum and assessorial charges, and a 15% increase on the so-called general scale incentive rates.

Prior negotiations by the A.P.T.C. and the Q.T.B. failed to produce any modification in the application. In particular, the A.P.T.C. was concerned over the uneven amount of the increases in commodity rates westbound versus eastbound, as it was felt that this would work to the detriment of industry in the Atlantic Provinces, as well as those member carriers who participate in the tariff.

While not denying that the carriers required an increase in the present rates to off-set escalating costs, the brief presented by the A.P.T.C. at the hearing stated that the carriers' "proof of need" data had not fully justified the amount of increase being sought. The main thrust of the A.P.T.C. case was that the increase westbound should be no greater than the increase eastbound. The A.P.T.C. presentation was supported by testimony given by representatives of four prominent industries from the Atlantic region

In a judgement handed down on July 5, 1977, the Quebec Transport Commission ruled that the increases originally requested by the carriers would be granted and would be allowed to become effective on July 11th.

RAIL CAR DEMURRAGE

A new higher schedule of demurrage charges for both domestic and export traffic is to become effective on May 1, 1978. This will be accompanied by the addition of new rules governing the application of free time for cars ordered for Saturdays, Sundays, and legal holidays and the assessment of demurrage for delays following the release of loaded cars without forwarding instructions.

Demurrage is a charge for delay of a railway car by a consignor or a consignee beyond the free time allowed for loading or unloading as provided in the tariff. The free time for both loading and unloading is forty-eight hours from the next 7 A.M. following placement of the car, excepting export traffic which is given five days for unloading.

The modifications in the demurrage tariff are the result of a series of proposed changes initiated by the railways in the spring of 1977. Input from shipper interests was achieved through an ad hoc committee known as the Shippers' Demurrage Committee. Negotiations were undertaken through a Joint Industry/Rail Task Force on Demurrage which included representation from the Shippers' Demurrage Committee and the railways. The A.P.T.C. served on both the S.D.C. as well as the Joint Task Force and attended numerous meetings.

The railways' objective was to improve railway car utilization, while the shippers were concerned over the imposition of extreme penalties and particularly for delays which are beyond the direct control of the shipper. Moreover, the initial proposals of the railways would have further limited free time on export traffic which could have had a detrimental effect on the competitive position of Canadian ports.

As a result of the negotiations, considerable relief was achieved in both the level of the new charges as well as the application or implementation of the proposed rules. The following table shows a comparison of the old and new demurrage charges for both domestic and export traffic:

Table Showing Demurrage Charges
Per Day After Expiration of Free Time

Day	Prior to May 1/78		New Charges Effec. May 1/78	
	Domestic	Export	Domestic	Export
1st	15	15	15	15
2nd	15	15	15	15
3rd	25	15	30	15
4th	25	15	30	25
5th	35	15	35	25
6th	35	25	50	25
7th	50	25	50	35
8th	50	35	50	35
9th	50	35	50	35
10th	50	50	50	50

This represents the first major change in demurrage since March 1, 1975.

It has been agreed by both railway officials and representatives of the shippers' associations to review rail car demurrage in relation to effective rail car utilization on a periodic basis with the next meeting scheduled for the Fall of 1978.

FEDERAL SALES TAX ON TRANSPORTATION

During 1976 the A.P.T.C. submitted views to the Commodity Tax Review Group of the Department of Finance which had issued a discussion paper on Federal Sales and Excise Taxation. That paper, among other things, discussed the possibility of applying Federal Sales Tax to transportation costs and applying the Federal Sales Tax at the retail level. On

June 27, 1977, the Commodity Tax Review Group issued its report. The report indicated that the Federal Sales Tax at the wholesale level (at the point of sale to the retailer) is the most practical and effective solution to the problems of the current Federal Sales Tax structure.

Insofar as the treatment of transportation charges is concerned, the report proposes that, in determining the value for tax, provision be made to allow the exclusion of outward transportation costs in all cases from the value for tax; and, where the goods are sold by a person other than the manufacturer, the exclusion of the inward transportation cost from the manufacturer or from the point of entry into Canada. The report further proposes that the transportation costs to the Canadian point of entry on imported goods be included in the value for tax of such goods as are taxable at the time of importation.

Accordingly, it would appear that the Tax Review Group have met, at least in part, the representations that were made by the A.P.T.C. on this matter.

POTATO TRANSPORTATION MATTERS

Various problems associated with the transportation and distribution of potatoes from New Brunswick and Prince Edward Island received attention during the past year. Apart from difficulties associated with falling markets, key problems being experienced by shippers include a dwindling supply of generally unsuitable railway cars, along with inadequate port facilities. Attempts to arrive at an acceptable level of rail rates, both to domestic markets and to Maritime ports for export, met with a stalemate — i.e., the railways declined to reduce their proposed increase on the grounds that it was necessary to meet their minimum revenue requirements, while the shippers declined to accept the increase on the grounds that it would make their potatoes uncompetitive.

With this background, in May 1977 the Minister of Transport appointed a Working Group under the chairmanship of Nick Mulder, Assistant Deputy Minister of Transport Canada (Strategic Planning) to recommend measures to “. . . ensure the efficient and cost-effective distribution of potatoes . . .”. The Working Group submitted its first report by August 1, 1977, which contained a number of recommendations of steps by each interested group (i.e. producer, shipper, carrier, and government) to help in reducing the problems in the short term, as well as to realize the type of distribution system adequate to meet the needs of the industry. In more specific terms, the report identified that no new railway cars would be required for 1977-78 but that additional cars would be required by the Fall of 1978. The report brought forth some improvement in port facilities and the Working Group also succeeded in finalizing a level of rail rates for the 1977-78 shipping season.

Further studies are taking place relative to market sensitivity in relation to transportation rates and rate increases; the relative merits of warehousing at the marketplace being undertaken by the Physical Distribution Advisory Service; as well as the ongoing work of the Working Group itself. Decision on additional port facilities and the provision of new railway cars were pending at the conclusion of the year under review.

AIR EXPRESS SERVICE SURVEY

In May 1977 the A.P.T.C. met with representatives from Air Canada, Eastern Provincial Airways, and CN Express to discuss some specific problem areas relative to air express service which were revealed through a mail survey done by the A.P.T.C. The survey identified problems relating to: (1) slow delivery after arrival at destination airport; (2) difficulty in tracing shipments; (3) hold for pick-up instructions often being ignored; and (4) a specific problem in Newfoundland of the goods not being routed to the nearest airport to destination.

As a result of the survey and the discussions with Air Express officials, steps have been taken to solve the major problems. These include the establishment of a computerized tracing system for air express and the provision of new large red labels reading "Hold At Airport". The matter of delays in delivery following arrival at airport cities is being monitored over a period of time to attempt to locate the source of this problem. The situation involving Newfoundland shipments not being routed via the nearest airport was identified as a temporary problem and no longer occurring.

DANGEROUS GOODS

Transport Canada is engaged in the compilation of a uniform code for the transport of dangerous goods within Canada which will apply to air, maritime, rail, truck and pipeline transportation. It will provide the foundation for uniform regulations under a variety of federal, provincial, and possibly municipal laws. The Code will be published in three volumes, two of which are in a preliminary form for submission to various parties for examination and contain the following:

VOLUME I contains five Parts: an introduction; responsibilities of those involved in producing, handling and transporting dangerous goods; classification of dangerous goods; communication requirements; and scheduled listings of dangerous goods.

VOLUME II is more technical and is currently divided into three Parts, namely, package specifications; portable tank (container) specifications; and cargo tank (tank truck) specifications. Later Parts may deal with rail tank car specifications, barge or vessel design specifications, and so forth.

In preparing the uniform federal code, Transport Canada has endeavoured to segregate and assemble all the common features of the Canadian Transport Commission's Dangerous Commodities Regulations and/or United States regulations for rail and truck; International Air (IATA) Regulations; and the current Inter-governmental Maritime Consultative Organization (IMCO) Dangerous Goods Code. Differences among the various regulations have been set apart so that they may be composed.

PHYSICAL DISTRIBUTION MANAGEMENT SEMINARS

Physical Distribution Management Seminars were conducted jointly by the Physical Distribution Advisory Service and the Atlantic Provinces Transportation Commission throughout the Atlantic region. Two day seminars were held at Corner Brook, Nfld., on October 25 and 26, 1977,

in co-operation with the Corner Brook Chamber of Commerce and Memorial University Extension Services; at Moncton, N.B., on February 21 and 22, 1978, in co-operation with the Greater Moncton Chamber of Commerce; and at Bridgetown, N.S., on February 28 and March 1, 1978, in co-operation with the Annapolis Valley Affiliated Boards of Trade.

A.P.T.C. staff dealt with the element of **Transportation**, presenting papers on "How to Avoid Transportation Over Payments"; "How to Ensure That You are Receiving the Benefit of the Lowest Freight Rate"; "How to Avoid Unnecessary Risks From Loss and Damage"; "How to File Loss and Damage Claims"; "Evaluation of Private Trucking"; and "Freight Assistance Programs". P.D.A.S. staff dealt with other elements of physical distribution, namely: **Inventory**, **Warehousing**, and **Customer Service**.

Both P.D.A.S. and A.P.T.C. recognize the need for these seminars and plans have been completed to conduct similar seminars in Charlottetown, P.E.I., in co-operation with the Greater Charlottetown Chamber of Commerce on April 11 and 12, 1978; as well as in Halifax, N.S., during the fall of 1978 in co-operation with the Halifax Board of Trade.

MEETINGS AND CONFERENCES

During the year the Chairman or senior staff members were called upon to attend many meetings, conferences, and to speak to or report to various groups and organizations. A summary of these activities follows:

<u>Date</u>	<u>Conference/Meeting/Organization</u>	<u>Nature of Participation</u>
1977		
April 5	Maritime Lumber Bureau Directors	Report
April 25	Halifax Kiwanis Club	Address
May 29	Canadian Transportation Research Forum Annual Conference	Panel Chairman
June 2	Maritime Lumber Bureau Annual Meeting	Report
June 5	Atlantic Provinces Chamber of Commerce	Report
June 17	Nova Scotia Forest Products Association	Report
June 24	Nfld. — Commission of Inquiry	Meeting
August 2	Maritime Lumber Bureau Directors	Report
August 15	N.B. Potato Shippers Association	Resource Person
Sept. 2	Corner Brook Chamber of Commerce	Address
Sept. 11	Traffic Clubs International	Panelist
Sept. 11	Atlantic Provinces Chamber of Commerce	Report
Sept. 19	Council of Eastern Forest Products Association	Report
Nov. 15	Industry, Trade & Commerce Enterprise Canada Seminar	Panelist
Nov. 22	Industry, Trade & Commerce Enterprise Canada Seminar	Panelist
1978		
Jan. 17	Council of Eastern Forest Products Association	Report
Jan. 24	Canadian Industrial Traffic League Alberta Division	Address
Jan. 26	Nova Scotia Forest Products Association	Report
Feb. 7	Maritime Lumber Bureau Directors	Report
March 6	University of New Brunswick Physical Distribution Course	Lecture
March 15	Atlantic Provinces Chamber of Commerce	Report
March 15	Traffic Club of Moncton	Address
March 17	Voluntary Advisory Committee Regional Economic Development	Presentation

OTHER ACTIVITIES

In the preparation of this Annual Report, a major facet of the Commission's work cannot be reported in detail. This area is the assistance that the A.P.T.C. renders to individual industry or industry groups throughout the region. Such assistance, because of its nature, does not lend itself to detailed coverage despite the fact that it does produce tangible benefits for the region. In the paragraphs that follow, a broad range of matters that have been dealt with in this category are briefly described.

The A.P.T.C. was called upon by the New Brunswick Forest Products Association to assist in analyzing transportation costs for the movement of **wood fibre** to New Brunswick mills in relation to the transportation costs for the same product to competing mills both elsewhere in Canada and in the United States. In addition, the Commission assisted the Association in determining the average truck haulage cost for the movement of wood fibre to New Brunswick mills.

Toward the conclusion of the year the A.P.T.C. assisted a group of pulpwood producers from Northern New Brunswick in identifying and analyzing the least cost method of transportation for the movement of **pulpwood logs** to several potential markets.

A Newfoundland manufacturer of **veneer panels** was assisted by the A.P.T.C. during the year when it was discovered the company's products were being described inaccurately on the shipping documents and, as a result, were not receiving the benefit of the Selective Westbound Freight Assistance. Through the efforts of the Commission shipments are now being described accurately and, in addition, corrected bills of lading are being accepted to provide the shipper with the benefit of the subsidy on those shipments which were previously described incorrectly.

The A.P.T.C. assisted a Nova Scotia flour mill in determining the correct application of rates on **grain** for movement by rail from Western Canada to Halifax for milling into flour and subsequent export as **flour** to foreign markets.

The Commission assisted a New Brunswick **steel** fabricator in securing truck competitive rates on its products into markets in the Atlantic Provinces. Such rates made the company more competitive with steel fabricators located outside the Atlantic region.

Plastic container manufacturers in New Brunswick and Nova Scotia were assisted by the Commission in the establishment of rail rates on their products to markets throughout the region.

The New Brunswick Electric Power Commission utilized the Commission's services extensively in rate negotiations with C.N. Rail for the movement of **coal** to one of the thermal generating stations.

A New Brunswick forest products company utilized the Commission's services extensively in the development of rates to marketplaces for a substantial volume of **woodpulp** which was stored in transit. This assistance enabled the company to secure markets for that product which might not otherwise have been available.

Lumber producers throughout the region benefited from the Commission's services during the year in that a rail rate increase which had

been scheduled to come into effect in mid-1977 was deferred for five months. In addition, through the Commission's offices, a revised scale of lumber rates for shipments within the Atlantic region was accepted by the industry which modified an increase that had been proposed by the railways and extended the coverage of such rail rates to all shipping and receiving points.

Two **plywood** manufacturers in the region were assisted by the Commission in the development of rates to markets throughout the region for products of these companies. The rates developed, as a result of the Commission's efforts, enabled the producers to be more competitive in the marketplace.

During the year, A.P.T.C. continued to assist a new **fertilizer** manufacturing plant established in New Brunswick in the development of rates for its inbound raw materials by rail.

During the year, the Commission completed a study of the potential for developing private trucking for a firm in New Brunswick. As a result of this study, the company has undertaken the development of private trucking to carry its finished products to markets in Central Canada returning with semi-finished and raw materials. The A.P.T.C. has pointed out that private trucking can have serious pitfalls for the unwary and that all costs associated with private trucking must be adequately evaluated before a decision is made to utilize this form of carriage.

A New Brunswick manufacturer of **glass bottles** continued its utilization of the Commission's services in respect of rates on its products which resulted in a substantial reduction in transportation costs.

As in previous years, the A.P.T.C., in co-operation with the Canadian Feed Manufacturers' Association, tried to maintain the lowest possible transportation cost for the movement of **animal feed** and feed ingredients to the region. The specific commodities involved included rates on **corn** from Southwestern Ontario and **grain** from Western Canada to the region.

The Commission assisted the Maritime Farmers' Council in representations made by that body to the Federal-Provincial Committee on Atlantic Region Transportation concerning the maintenance of the 15% intra-regional subsidy on animal feed and other commodities within the region. In addition, the A.P.T.C. provided assistance to a manufacturer of industrial **lime** in its efforts to have that product continue to receive the intra-regional subsidy assistance.

A regional manufacturer of **heavy machinery** utilized the Commission's services extensively during the year to do an indepth analysis of the transportation cost of inbound raw materials and outbound products to markets in relation to alternative locations. Through this analysis, the A.P.T.C. was able to suggest a number of changes which, when implemented, would reduce the transportation costs for the company concerned.

A Newfoundland company utilized the Commission's services in determining the correct rail rate on shipments of **steelwares** from points in the United States to St. John's. As a result, the company not only received a refund on some past shipments but also avoided overpayment of freight charges on future shipments.

From the few illustrations outlined in the preceding paragraphs, the benefits to business and industry throughout Atlantic Canada derived from the work of the A.P.T.C. are apparent. In addition to the items mentioned above, manufacturers and producers, of **insulating materials, charcoal, furniture, canoes, plastic products, peat moss, concrete pipe, and stoves and ranges** have benefited from the Commission's services.

During the year, the Provincial Governments and their industrial development agencies, as well as certain municipal development groups, have continued to utilize the Commission's services for transportation information for new or expanded industrial plants. Approximately seventy such inquiries have been received during the past year.

Atlantic Province companies have been advised of specific rate changes during the year through the Commission's Rate Advices. In 1977-78, **4,269 Rate Advices** were issued, an increase of 31 percent over 1976-77. In addition to the Rate Advices, more than 300 advisory letters were sent to specific industries or industry groups, along with three circulars of general nature being issued.

During the past year, twelve issues of the Commission's newsletter "*Tips & Topics*" were published.

Also, the fourth edition of the Commission's "*Directory of Ocean Containership Services Between Halifax and Saint John and World Ports*" was published in July of 1977 and the "*Highway Overhead Clearance*" booklet was also reissued.

During the year, the A.P.T.C. Directors approved the publication of the second issue of the Commission's "*Transportation Directory*". At year end, work is underway to issue this Directory later in 1978.

Close association has been maintained between the Commission and the Atlantic Provinces Chamber of Commerce, the Atlantic Division of the Canadian Industrial Traffic League, the Atlantic Divisions of the Canadian Manufacturers Association, the New Brunswick Potato Shippers Association, and the Prince Edward Island Potato Marketing Board. In the case of the Atlantic Provinces Chamber of Commerce, the A.P.T.C. Chairman is a Director of that organization while the General Manager serves as an ex officio Director. The Commission is represented on the Transportation Committees of the Canadian Feed Manufacturers' Association, the Maritime Lumber Bureau, the Nova Scotia Forest Products Association, and the Voluntary Planning Group. During the past year, the Nova Scotia Section of the Canadian Manufacturers Association formed a transportation committee. A Director of the A.P.T.C. serves as Chairman of that Committee and a member of the A.P.T.C. staff serves on the Committee.

The Commission has maintained membership in national groups such as the Atlantic Provinces Economic Council, the Canadian Association of Physical Distribution Management, the Canadian Transportation Research Forum, and the Greater Moncton Chamber of Commerce. In the case of the Canadian Transportation Research Forum, the General Manager was elected in 1976 as Secretary of that organization and has continued to serve in that capacity during the past year. The General Manager serves as a member of the Board of Directors of the Greater Moncton Chamber of Commerce and on two of the Metric Commission's commit-

tees, namely, the Water Transport Sector Committee and the Working Group on Tariff Conversion. In June 1977, the General Manager received a Certificate of Merit from the National Chairman of National Transportation Week "for making a significant and meritorious contribution to transportation in Canada". The General Manager has served as Atlantic Region Chairman for N.T.W. for the past number of years. In June 1977 he was elected as National Chairman of N.T.W. for 1978.

COMMISSION DIRECTORS

In 1977-78, two new Directors for the Atlantic Provinces Transportation Commission were appointed. Mr. Aurele Turcotte, Vice-President, Sales, of Nadeau & Nadeau Ltd. of St. Francois-de-Madawaska, N.B., was appointed by the Atlantic Provinces Chamber of Commerce to fill the vacancy created by the resignation of Mr. George Heaton, also of St. Francois. Mr. C. Arnold Meisner of Bowaters Mersey Paper Co. Ltd. of Liverpool, N.S., and a former Chairman of the Maritime Lumber Bureau, was appointed to replace Mr. J. J. Kinley of Lunenburg, N.S., who had completed a term as a Director of the Commission. Mr. Meisner brings to the Commission's Board of Directors representation from the lumber industry for the first time for a number of years.

To the Directors who have terminated their association with the Commission, the Chairman and General Manager express their appreciation and thanks for the contributions that they have made to the work of the Commission during their term of office.

On March 23, 1978, a former Chairman of the A.P.T.C., Mr. James M. Crosby of Saint John, N.B., died. Mr. Crosby served as a Director of the A.P.T.C. from 1958 to 1972 and as Chairman for the years 1963-64 to 1970-71. He gave extensively of his time and abilities to direct and guide the activities of the Commission. The Board of Directors extend sincere and heartfelt sympathy to his wife and family.

During the year, the death of two former Directors of the A.P.T.C. occurred, namely, Senator G. Percey Burchell and Mr. J. A. Morris.

ACKNOWLEDGMENTS

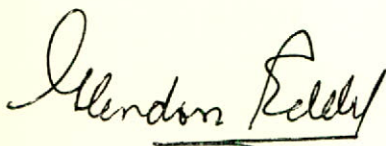
During the past year, excellent co-operation has been received by the A.P.T.C. from all transportation carriers. This co-operation has been mutually beneficial and it is greatly appreciated by the A.P.T.C. Board of Directors.

The achievements of the Commission are in a large measure due to the dedication of its Board of Directors. For that dedication and the guidance and directions given by the Board of Directors, the Chairman and General Manager extend their sincere thanks.

The day to day operations of the A.P.T.C. rise or fall upon the spirit in which the staff carry out their responsibilities. To the staff, the Chairman and General Manager extend a sincere vote of thanks for the loyal, dedicated and efficient discharge of their duties during the past year.

Finally, in respect of the Commission's associated organizations, a special word of thanks goes out to Mr. F. G. Kennedy, Executive Director of the Physical Distribution Advisory Service, and his staff and to Mr. Scott DeBow, Manager of the Freight Audit Service, and his staff for their co-operation during the year.

All of which is respectfully submitted.



Glendon F. Eddy
Chairman



Craig S. Dickson
General Manager

