

CANADA TRANSPORTATION ACT REVIEW

GOVERNMENT OF ALBERTA SUBMISSION

For Consideration by the CTA Review Panel



FORWARD

This paper has been prepared subsequent to the *Canada Transportation Act Review* Panel's request for positions, and follows a stakeholder consultation process.

Alberta Transportation

[on behalf of the Cross-Ministry
Working Group for the CTA Review]

December 2014

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EXECUTIVE SUMMARY

Alberta relies on a safe, efficient and reliable transportation network to connect individuals and goods domestically and abroad. To fulfill critical social needs and fuel economic growth, regulatory structures need to become more focused on the overall economic and consumer interests of the community. The *Canada Transportation Act (CTA)* is vital legislation for ensuring the reliability, safety and competitiveness of Canada's transportation system.

The Government of Alberta applauds the CTA Review Panel's comprehensive multi-modal approach to the review process. We also encourage continued collaboration of multiple levels of government in advancing Canada's transportation policy issues.

The Government of Alberta is currently undertaking the development of a long-term multi-modal Transportation Strategy for Alberta that will provide a vision for Alberta's transportation system over the next 50 years. The Strategy will cover all forms of transportation, connections and ways to move people and products. It will also provide an overarching direction to help guide decisions on transportation investments, policies and programs. The positions contained in this submission reflect the work that the Government of Alberta is undertaking on the Transportation Strategy for Alberta.

To effectively address our multi-modal system, the Government of Alberta introduced a full cross-ministry team; with participation from various ministries and subject matter experts. Team Leads were established to evaluate each mode within the CTA and conduct direct consultation with stakeholders. It is the result of this consultation that forms the basis of this submission.

This submission incorporates the contents of a document already provided to the Review Panel on October 31, 2014 regarding grain specific elements of the CTA.

The Government of Alberta respects the speed at which the Review Panel requested submissions and has been diligent to meet the December 30, 2014 submission deadline. In consideration of this early deadline, we acknowledge the potential for supplementary submissions in 2015 leading up to the Review Panel's final report due date on December 24, 2015.

Key Positions for National Transportation Policy

The goal of Canada's National Transportation Policy is to guide transportation policy direction; becoming the basis for the strategic direction of transportation in Canada. It aims to provide guidance when addressing issues such as gateways and corridors, the use of technology and transportation in the north.

The Government of Alberta's key positions for Section 5 of the National Transportation Policy include:

- Include Canada's vision for transportation in the CTA, as approved by the Council of Transportation Ministers in 2013, which includes "a safe, competitive, viable and sustainable transportation network".
- Recognize that an efficient and sustainable transportation system is one where the users of the system bear the costs of building and maintaining that system.

- Recognize the importance of ensuring that all modes of transportation are able to integrate seamlessly into the national transportation system.

The Government of Alberta’s key positions for gateways and corridors, the use of technology and transportation in the north include:

- Provide federal funding that focuses on improving market access for Canada’s exports, particularly for western Canada’s exports to the Asia-Pacific Region.
- Improve multi-modal connectivity to gateway and corridor access points, including inland ports and inland border crossings, such as targeted reductions in wait times and real-time information on current and forecasted wait times.
- Further reduce both internal and external non-tariff barriers by renewing and enhancing the Agreement on Internal Trade and continued harmonization of standards between Canada and the United States.
- Improve and enhance the availability of transportation statistics and the timeliness of their reporting, and work with stakeholders to reduce the response burden for reporting by using alternative methods of collection, such as administrative data or electronic transfer.
- Ensure federal government regulations are based on full evidence-based cost-benefit analysis including risk management analysis where safety is a concern.
- Further advance the supply chain performance monitoring program and expand the program to include provincial representation.
- Work with provinces and territories to establish a national ITS strategy that supports and promotes long-term development and deployment of ITS technologies in Canada. Continue the practice of including a base level of funding to provinces and territories in its infrastructure programs. This base level of funding helps to address some of the challenges of providing infrastructure in provinces and territories with small populations.

A detailed overview and summary of all Government of Alberta positions on the national transportation policy, gateways and corridors, the use of technology and transportation in the north can be found in the body of this paper.

Key Positions for Rail Transportation

Alberta’s economy has always been highly dependent on a world-class rail transportation system. Historically, railway development in Canada has been closely linked to grain shipments. As Canada’s economy diversified, global demand for additional commodities has required further expansion and advancement of Canada’s rail. The 2013 grain backlogs exposed weaknesses in Canada’s rail transportation system in responding to surges in demand for rail service. The introduction of the *Fair Rail for Grain Farmers Act* attempts to alleviate the pressure created from this backlog, but the results of these efforts will not be realized for some time.

The Government of Alberta’s key positions on rail transportation focus on three areas; service, safety and openness/transparency:

- Define the term “adequate” and “suitable” in the CTA.
- The new interswitching distances be made permanent in the CTA.

- Modify the competitive line rate (CLR) provisions to remove the requirement that a shipper have an agreement with the connecting railway before the shipper can access a CLR.
- Ensure that the Final Offer Arbitration provisions remain in the CTA.
- Modify the running rights provision to allow the Agency to award open running rights where there is a lack of competition.
- Include reciprocal financial penalties in arbitrated Service Level Agreements.
- Expand performance monitoring of the railways and other supply chain partners.
- Publicly report railway performance at the sector level.
- Establish a forum for railways and shippers to exchange information and discuss service concerns.
- Give the Agency the mandate to investigate and address systemic shortfalls in rail service or rail capacity.
- Provide railways and shippers with an informal mediation service to resolve disputes before they become formal complaints.
- Make the process to resolve rail service complaints in front of the Agency more open and transparent.
- Expand its membership to include at least one representative from western Canada.
- Increase funding for the Grade Crossing Improvement Program for safer railway crossings, and work with provincial governments on a plan to target priority projects to address the current backlog of grade crossing improvements that are required.
- Review the track integrity maintenance and inspection scheme to account for current and forecasted volumes and to factor in emergency preparedness.
- Ensure alignment of rail operation and equipment requirements between Canada and the United States.
- Offer a sufficient time period for retrofit and replacement of tank car fleets.
- Ensure proposed liability and third-party compensation schemes provide coverage and levies on dangerous goods with hazardous properties, regardless of the origin of the shipment, or jurisdiction of the track where a derailment or incident occurs.
- Monitor the effectiveness of Emergency Response Assistance Plans (ERAP).
- Require Class 1 railways to coordinate incident responses with regional and provincial emergency responders to ensure incidents and derailments are effectively addressed and reported.
- Develop a true shared governance model for rail transportation, in a manner consistent with the current Memorandum of Agreement on federal road carriers in Alberta.
- Adopt the recommendations made in the 2007 *Railway Safety Act* Review, specifically on fatigue management.
- Develop national high-speed rail standards.

A detailed overview and summary of all Government of Alberta positions on rail transportation can be found in the body of this paper.

Key Positions for Air Transportation

Air transportation provides timely and effective connectivity between communities. A sustainable and competitive air transportation system is critical for Canada's economy to deliver cargo to and from domestic and foreign markets quickly and efficiently. Affordable access to air travel is also important for

enriching the quality of life of families and communities across Canada. Tourism, enhanced access to labour markets and trade opportunities all rely on an effective air transportation system.

The Government of Alberta's key positions on air transportation include:

- Reduce airport rents, security fees and other fees, charges and taxes that reduce the cost competitiveness of the Canadian aviation system.
- Reinvest rents and charges that are collected back into the aviation system to ensure viability of the airport network.
- Reduce the regulatory burden imposed on smaller airports and ensure that the benefits of new regulations outweigh the costs.
- Refrain from any legislative or regulatory initiatives that would infringe upon Alberta's Regional Airport Authorities Act or Regional Airport Authorities Regulation.
- Further streamline visa processing and policy to increase the attractiveness of Canada for both business and recreational travel and to facilitate the seamless connection of transiting passengers through Canadian airports.
- Minimize delays and wait times by improving the efficiency of federal airport security screening processes.
- Continue to invite provincial input into the development of the negotiating mandate for international air service agreements.
- Review foreign ownership restrictions which would increase foreign ownership from 25 per cent to 49 per cent.

A detailed overview and summary of all Government of Alberta positions on air transportation can be found in the body of this paper.

Key Positions for Marine Transportation

Global transportation networks are heavily reliant on marine transportation. As an inland province, Alberta's foreign trade is dependent on the overall efficiency of the transportation network to reach port and marine connections to reach global markets. Connectivity to marine transportation is vital to the economic well-being of Canada and is crucial for Alberta to be able to respond to enhanced global demand for natural resource commodities overseas.

The Government of Alberta's key positions on marine transportation include:

- Provide Alberta with a permanent seat on the Port Metro Vancouver Board of Directors.
- Support Alberta's efforts to gain representation on boards for key economic Port Authorities where Alberta contributes significantly to the economic activity of that port (Prince Rupert and Thunder Bay Port Authorities).
- Reassess borrowing limits for key economic port authorities where these limits may act, or will act in the future, as barriers for the port authority to meet its strategic growth objectives.
- Continue to invite provincial and territorial input into any policy and regulatory changes needed to achieve global leadership in spill prevention, response and recovery.

A detailed overview and summary of all Government of Alberta positions on marine transportation can be found in the body of this paper.

Key Positions for Accessibility

Accessible transportation is a major challenge facing seniors and persons with disabilities. For some, access to barrier-free transportation can mean the difference between social and economic inclusion or social and economic isolation. According to the Premier's Council on the Status of Persons with Disabilities, about one in six Albertans have a disability. Due to the anticipated population growth in Canada, and in Alberta, the number of persons with disabilities will grow. As such, there exists great opportunity now to make the regulatory and legislative changes to enhance accessibility for the current generation and generations of Canadians to come.

The Government of Alberta's positions on accessibility include:

- Update Section 5(d) of the CTA to ensure that language is aligned with the United Nations Convention on the Rights of Persons with Disabilities.
- Update the enforcement and implementation of the accessibility provisions to increase effectiveness for issues like compliance, barrier removal, integration, access to information, and the ability of the Agency to impose punitive financial remedies.
- Strengthen language in the CTA to make existing codes of practice mandatory instead of voluntary.
- Make exemptions transparent and public.
- Expand Section 170(1)(c) of the CTA to include the legitimate attendants of persons with disabilities.

A detailed overview and summary of all Government of Alberta positions on accessibility can be found in the body of this paper.

1.0 NATIONAL TRANSPORTATION POLICY

1.1 National Transportation Policy Statement

The purpose of the National Transportation Policy Statement is to guide transportation policy direction. The statement has undergone various revisions over the years, but there have been a few persistent themes, including an emphasis on the economic efficiency of the system balanced with the need to address other basic concerns such as the need to ensure the mobility of persons with disabilities. The National Transportation Policy Statement supports the view that Canada relies on competition and market forces to provide efficient, safe, secure and environmentally sustainable transportation services.

The National Transportation Policy Statement is provided in Section 5 of the CTA. The Government of Alberta's proposed changes to the National Transportation Policy Statement are identified in red.

It is declared that a competitive, economic and efficient national transportation system that meets the highest practicable safety and security standards and contributes to a sustainable environment and makes the best use of all modes of transportation at the lowest total cost is essential to serve the needs of its users, advance the well-being of Canadians and enable competitiveness and

economic growth in both urban and rural areas throughout Canada. Those objectives are most likely to be achieved when:

- (a) competition and market forces, both within and among the various modes of transportation, are the prime agents in providing viable and effective transportation services;
- (b) regulation and strategic public intervention are used to achieve economic, safety, security, environmental or social outcomes that cannot be achieved satisfactorily by competition and market forces and do not unduly favour, or reduce the inherent advantages of, any particular mode of transportation;
- (c) rates and conditions do not constitute an undue obstacle to the movement of traffic within Canada or to the export of goods from Canada;
- (d) the transportation system is accessible without undue obstacle to the mobility of persons, including persons with disabilities; and
- (e) governments and the private sector work together for an integrated transportation system.
- (f) the users of the transportation system bear the costs of building and maintaining the system as much as is practical.
- (g) all modes of transportation work together to ensure that all modes of transportation are integrated seamlessly to move goods and services safely, effectively and efficiently.

The CTA should include Canada's vision for the transportation system. The Council of Transportation Ministers have agreed that Canada's vision should be "...a safe, competitive, viable and sustainable transportation network that enhances economic prosperity and quality of life."

The National Transportation Policy Statement should recognize that an efficient transportation system is one in which the users of the system bear the costs of building and maintaining that system. The National Transportation Policy Statement should encourage the use of pricing mechanisms that encourage the more efficient use of all modes of transportation. It should also encourage governments to ensure the revenues being collected from the users of the system are used to cover the costs of building and maintaining that system.

The National Transportation Policy Statement should encourage government and private sector to take a multimodal systems approach to moving people, goods and services safely, effectively and efficiently for the benefit of the national economy.

Alberta's Position

The CTA Review Panel should call upon the federal government to:

- 1) Include Canada's vision for transportation in the CTA, as approved by the Council of Transportation Ministers in 2013.**
- 2) Recognize that an efficient and sustainable transportation system is one where the users of the system bear the costs of building and maintaining that system.**

- 3) **Recognize the importance of ensuring that all modes of transportation are able to integrate seamlessly into the national transportation system, with multiple access points to improve front-end efficiency.**

1.2 Strategic Gateways & Corridors

Strategic gateways and corridors connect all modes of transportation across interprovincial and international borders for local, provincial and neighbouring jurisdictions to access international markets. Over the next ten years, the volume of goods moving through Western Canada's gateways and corridors is expected to nearly double, to 230 million tonnes, with much of this traffic moving along key East-West corridors into and through western Canadian provinces.¹ Alberta's key inland ports in Calgary and Edmonton service a population of over four million people, with this number expected to exceed an estimated 6.5 million by 2026.²

The connectivity and reliability of Canada's inland gateways, such as inland border crossings, are crucial to cross-border trade flows. In 2013, of the top 10 ports of exit for Alberta's exports, only two were located in Alberta.³ Alberta isn't the only jurisdiction in this situation – no single provincial or territorial jurisdiction relies solely on gateways or corridors within its borders – reflecting the need for a systems approach beyond the leadership of any single jurisdiction. Various modes also operate under different regulatory oversight, governance structures and with different infrastructure funding mechanisms. For these reasons, it is necessary that the Government of Canada continues to take a leadership role in advancing the competitiveness of Canada's strategic gateways and corridors.

The Asia-Pacific Gateway Corridor Initiative (APGCI) focus to date has been on getting a larger market share of North American import traffic through west coast ports. Leadership from the Government of Canada in this initiative encouraged an unprecedented level of collaboration and cooperation among industry stakeholders and provincial governments in Western Canada. It is believed that the \$1 billion invested by the federal government in 2006 through the APGCI led to over \$22 billion in total infrastructure investment across all modes from all levels of government and the private sector.

Containerization and global trade patterns have dramatically reduced the portion of transportation costs that make up the total price of goods shipped, however this is not always the case with goods that require specialized equipment. The domestic transportation of grain that requires a bulk dry container, from central Canada to a West Coast Port is estimated at 12 to 13 per cent of the total price of the product.⁴ The total end-to-end transportation of that grain, including domestic transportation and marine transportation to the final destination, is estimated at approximately 40 per cent of the total product price.⁵

In fact, all shippers continue to face a number of challenges, including the need for infrastructure enhancements to improve capacity, the need for improved availability and standard of services

¹ Transportation Network Needs Assessment: Consolidated Traffic Projections and Network Needs Assessment Prepared for the New West Partnership, Colledge Transportation Consulting Inc., August 2014.

² Using medium population growth scenario estimates, competitive service area of 800 km (single-day transit).

³ Statistics Canada. 2013, International Merchandise Trade Database.

⁴ Transportation Network Needs Assessment: Consolidated Traffic Projections and Network Needs Assessment Prepared for the New West Partnership, Colledge Transportation Consulting Inc., August 2014.

⁵ Transport Canada, Transportation in Canada 2011, Gateways and Corridors, Section 11.3, Transportation in global value chains.

offered, and regulatory and legislative issues. Rural and urban, and small scale and large scale shippers can also face different transportation pressures as they try to find the most efficient way to move their goods to market.

With the emergence of just-in-time inventory, any failures along the supply chain – no matter how localized – can result in massive costs incurred for those directly affected and cause ripple effects for Canadian suppliers across provincial boundaries and industries. A reliable and consistent multi-modal supply chain in Canada that addresses these challenges proactively would provide a value-added competitive edge to Canadian manufacturers, producers and suppliers.

Issues

Infrastructure enhancements are required along key corridors in western Canada that serve a national importance to facilitate enhanced and long-term sustainability of growth in Canada's international trade volumes. Enhanced targeted funding is required for major projects in Alberta that support national interests, such as those in alignment with North West Partnership objectives.

Due to the national significance of gateway and corridor projects, long-term sustainable funding is required. Enhanced connectivity between Canada's landlocked provinces and key ports is required to encourage economic growth in Canada. Enhanced border efficiency at inland borders is also needed to ensure increased competitiveness of Canada's supply chain, such as expanding the Free and Secure Trade Program (FAST) and the NEXUS program, and implementing border wait-time reduction initiatives.

Specific impediments to market access also need to be addressed, including:

- ensuring market access to marine containers for source loading at key inland ports;
- the need for transportation service providers to increase transparency and information available for shippers, such as enhanced tracking services and delay notifications;
- improving multi-modal connectivity to gateway and corridor access points, including inland ports and inland border crossings, such as targeted reductions in wait times and real-time information on current and forecasted wait times; and
- enhanced data collection and information dissemination on supply chain fluidity measures and commodity flows are needed.

Evidence-based decision making is critical. Data is a foundational piece in supporting infrastructure and regulatory planning and decision making. Through the sharing of information, stakeholders in the national transportation supply chain can work together to reduce inefficiencies. The federal government needs to improve and enhance the availability of transportation statistics and the timeliness of their reporting, and work with stakeholders to reduce the response burden for reporting by using alternative methods of collection, such as administrative data or electronic transfer. The Government of Alberta supports the advancement of Transport Canada's supply chain performance monitoring and would like to recommend that these initiatives be expanded to include provincial

representation and involvement. It is also important that proposed federal government regulations be based on full evidence-based benefit-cost analysis including risk management analysis where safety is a concern.

Renewing the *Agreement on Internal Trade* would further assist to reduce internal trade barriers across Canada. The Council of Ministers Responsible for Transportation and Highway Safety approved three amendments in early October 2014 to the Federal/Provincial/Territorial Memorandum of Understanding on Interprovincial Weights and Dimensions that support the alignment of standards, including one that aligns standards with the United States. The alignment of standards between Canada and the United States will allow for the seamless movements of goods and people across our shared border, reducing the regulatory burden on businesses and citizens on both sides of the border.

In summary, regulatory and legislative issues need to be addressed to: remove internal trade barriers between Canadian jurisdictions; and make progress towards aligning regulatory standards across Canada and the United States.

Alberta's Position

The CTA Review Panel should call upon the federal government to:

- 4) Provide federal funding that focuses on improving market access for Canada's exports, particularly for western Canada's exports to the Asia-Pacific Region.**
- 5) Improve multi-modal connectivity to gateway and corridor access points, including inland ports and inland border crossings, such as targeted reductions in wait times and real-time information on current and forecasted wait times.**
- 6) Work with provinces and territories to reduce both internal and external non-tariff trade barriers through renewal and enhancement of the Agreement on Internal Trade and continued efforts to align relevant standards between Canada and the United States.**
- 7) Improve and enhance the availability of transportation statistics and the timeliness of their reporting, and work with stakeholders to reduce the response burden for reporting by using alternative methods of collection, such as administrative data or electronic transfer.**
- 8) Ensure federal government regulations are based on full evidence-based cost-benefit analysis including risk management analysis where safety is a concern.**
- 9) Further advance the supply chain performance monitoring program and expand the program to include provincial representation.**

1.3 Intelligent Transportation Systems

To serve the transportation needs of the 21st century and maximize opportunities, Canada's transportation system will need to become smarter. No longer will it suffice to simply ensure that our transportation infrastructure is physically compatible with the vehicles that use it. Traditional transportation solutions alone cannot hope to solve existing and future transportation challenges. New and more innovative technological approaches such as the deployment of Intelligent

Transportation Systems (ITS) are needed in order for Canada to remain a competitive player on a world stage.

ITS refers to the application of advanced and emerging technologies (computers, sensors, control, communications, and electronic devices) used to make transportation systems safer, more efficient, reliable and environmentally friendly, without necessarily having to physically alter existing infrastructure. For the purpose of this submission, ITS also encompasses recent technological advancements in self-driving and connected vehicles—vehicles capable of communicating with each other, roadside infrastructure and mobile devices.

By integrating technology and intelligence into the physical transportation infrastructure, road authorities are now able to:

- Make roads safer and reduce the number of collisions, injuries and deaths we see each year;
- Enhance mobility for both people and freight by reducing congestion;
- Improve interagency operations;
- Manage transportation infrastructure more effectively and economically; and
- Reduce the environmental impact of cars, trucks and buses by reducing fuel consumption and emissions.

Transport Canada has recognized the many benefits of ITS and over the last few decades has worked collaboratively with industry, universities and other levels of government (i.e., provincial and municipal) to support various ITS research and deployment initiatives. Some of these projects include funding deployment of border crossing advanced traveller information systems, commercial vehicle permit automation systems, weigh-in-motion systems, road weather information systems, regional transportation management centres, the Asia Pacific Gateway ACTIVE-AURORA project, and the development of Canada's ITS Architecture.

Issues

Well-designed and deployed ITS technologies enhance the safety, efficiency and environmental performance of our transportation network. However, in the absence of an agreed national ITS strategy, there is a significant risk of ITS solutions being implemented in an uncoordinated and potentially inconsistent fashion. To help avoid this, it is recommended that a national ITS strategy be developed in consultation with key stakeholders.

A national ITS strategy is needed to ensure that:

- Solutions work together seamlessly and provide consistent outcomes in each province and territory;
- ITS policies, regulations and standards are in place to support and promote existing and next-generation ITS technologies;
- Domestic and international standards are applied uniformly across the country;
- Economies of scale are achieved as projects delivered in each province and territory build on the achievements of others;

- Clear positions on priority projects are presented to transportation stakeholders and feed into the development of transportation infrastructure and technology development; and
- Adequate and dedicated funding is provided to support current and future ITS endeavours.

Alberta's Position

The CTA Review Panel should call upon the federal government to:

- 10) Work with provinces and territories to establish a national ITS strategy that supports and promotes long-term development and deployment of ITS technologies and ensures the system is interoperable across Canada.**

1.4 The North

The northern transportation system is underdeveloped; yet there are tremendous growth opportunities in northern regions. Addressing geographic and climatic challenges will require partnerships between the northern territories, the federal government and the private sector.

The key issue for the northern territories is the need for investment in transportation infrastructure to support resource development. Resource development is the key driver of development in the North. However, much of the resource wealth in the North is stranded far from the transportation network.

The federal government oversees transportation safety, security and environmental protection in the North. The federal government also provides infrastructure funding through federal infrastructure programs such as the *Building Canada Plan* and the *Airport Capital Assistance Program*.

Alberta is Canada's Gateway to the North. Most of the goods that move to the Northwest Territories rely on Alberta's road and rail network and much of the development that occurs in the North is supported by Alberta industry.

The northern regions of Alberta also share many of the characteristics of the transportation system in the northern territories (i.e., limited infrastructure, stranded resources, extreme weather).

Alberta would benefit from building new gateways and pipelines in the North. Projects such as the Mackenzie Valley Pipeline would support market access for Alberta products. These projects might also result in new sources of energy to support resource development in Alberta.

In many cases the northern territories do not have the capacity required to invest in the infrastructure needed to allow their resources to be developed. The northern territories are constrained in their ability to borrow as a result of federal borrowing limits. A number of these issues will only be resolved when the northern territories are able to benefit from resource development.

The Government of Canada needs to help ensure that the northern territories have the capacity to build and maintain the infrastructure needed to support sustainable resource development.

Alberta's Position

The CTA Review Panel should call upon the federal government to:

- 11) Continue the practice of including a base level of funding to provinces and territories in its infrastructure programs. This base level of funding helps to address some of the challenges of providing infrastructure in provinces and territories with small populations.

2.0 RAIL TRANSPORTATION

Alberta's economy is highly dependent on a world-class rail transportation system. In 2012, nearly 54 million tonnes of commodities were exported from Alberta by rail, far exceeding annual volumes of the preceding decade.⁶ In 2012, Alberta's international intermodal (rail and marine) exports accounted for nearly \$23 billion or 67 per cent of Alberta's total exports by value (excluding pipeline).⁷ Recent studies indicate that commodity exports from Western Canada are forecasted to increase dramatically as container traffic is projected to increase 5.1 per cent per year over the next 10 years.⁸ The majority of these exports will be carried by rail, indicating a growing demand for rail service.

Issues

Most rail shippers in Alberta only have access to either CN or CP. As a result, both railways are able to exercise market power over Alberta shippers. Railway market power and the lack of competition in Alberta have contributed to a number of major rail service issues in Alberta.

In 2011, the federal government completed a Rail Freight Service Review which found that there is a commercial imbalance between shippers and railways in Canada. The Rail Freight Service Review Panel made a number of recommendations to the federal government that were designed to address that imbalance by improving the shippers' leverage with the railways. Most of the Panel's recommendations were not implemented by the federal government.

The situation for Alberta shippers has not materially changed since 2011. The shipper protection provisions in the CTA are still not adequate to protect Alberta shippers from the ability of the railways to exercise their market power. The shipper protection provisions in the CTA are very costly to access and the likelihood that a shipper will be successful in pursuing a regulated remedy with the Canadian Transportation Agency is remote.

The Government of Alberta suggests that a number of measures are needed to address the commercial imbalance between railways and shippers, including:

- Enhancements to the existing Shipper Protection Provisions of the CTA;
- Service Level Agreements with Reciprocal Financial Penalties;

⁶ Statistics Canada, CANSIM Table 404-0021, Rail Transportation, origin and destination of commodities. Figures include shipments in Northwest Territories.

⁷ Statistics Canada, 2012 International Merchandise Trade Database.

⁸ Transportation Network Needs Assessment: Consolidated Traffic Projections and Network Needs Assessment Prepared for the New West Partnership, Colledge Transportation Consulting Inc., August 2014, p. 10.

- Enhanced Performance Reporting; and
- Enhanced powers for the Canadian Transportation Agency.

2.1 Rail Service

Enhancements to the existing Shipper Protection Provisions

A. Level of Service

The main regulatory remedy to address rail service issues is the level of service (LOS) provisions of the CTA. The provisions impose LOS obligations on railways, authorize the Agency to investigate complaints, and provide broad authority for the Agency to order corrective action.

The test used to determine whether a railway fulfilled its LOS obligations is whether its services were “adequate and suitable.” The challenge for both shippers and railways is that the term adequate and suitable is open to interpretation. This makes it very difficult for the CTA to determine what constitutes an accepted level of service and makes the process of deliberating an LOS complaint very costly and time consuming.

Alberta’s Position

The CTA Review Panel should call upon the federal government to:

- 12) Define the term “adequate and suitable” in the CTA. The Government of Alberta suggests this definition reflect the business needs of shippers (number of cars, routes and frequency of service) and be reasonable in terms of what the railway can supply.**

B. Competitive Access Provisions

There are two competitive access provisions aimed at encouraging rail competition for shippers for the long haul portion of the movement. These provisions authorize the Canadian Transportation Agency to set rates for the movement of traffic to an interchange point, which is a point served by both CN and CP, for shippers who otherwise would only have access to service by one railway.

Interswitching

The interswitching provisions apply to movements from a point of origin within a radius of 30 kilometres of an interchange point. The Agency prescribes the interswitching rate, which is based on railway costs and is paid to the originating carrier for the movement to the interchange point, from which point the connecting carrier completes the movement of traffic.

In 2014, the Government of Canada introduced the *Fair Rail for Grain Farmers Act* that expanded interswitching distances for goods moved in the Prairie provinces to 160 kilometres. The measures introduced by the *Fair Rail for Grain Farmers Act* will be in place for two years.

The Government of Alberta supports the expansion of interswitching distances to 160 kilometres in the Prairies but notes that two years is not enough time for shippers to take advantage of this

measure. Railways and shippers are not willing to invest in the infrastructure needed to take advantage of this provision knowing it will expire within two years.

Alberta's Position

The CTA Review Panel should call upon the federal government to:

- 13) Make the new interswitching distances permanent in the CTA. The federal government should provide shippers with information on how to take advantage of new regulations, including establishing a website that shows the locations of all available interswitching points in Canada.**

Competitive Line Rates

The Competitive Line Rate (CLR) provisions apply to movements to an interchange point that is greater than 30 kilometres. The CLR rates, established by the Agency, are based on a formula that includes the interswitching rate for the first 30 kilometres plus an amount for the balance of the distance based on the originating carrier's average revenue per tonne-kilometre for moving similar traffic over a similar distance.

There are two main differences between interswitching rates and CLRs:

- 1) Unlike interswitching rates, CLRs are calculated on a case-by-case basis. This creates uncertainty for the shipper and connecting carrier.
- 2) Before a shipper can apply to the Canadian Transportation Agency for a CLR, the shipper must have an agreement with connecting railway.

Shippers suggest that the CLR provision is not an effective remedy. One of the reasons CLRs are not effective is that connecting railways are unlikely to negotiate with shippers on their competitor's rail line because they know it could result in their competitor negotiating with shippers on their rail lines.

Alberta's Position

The CTA Review Panel should call upon the federal government to:

- 14) Modify the Competitive Line Rate provisions to remove the requirement that a shipper have an agreement with the connecting railway before the shipper can access a CLR.**

C. Final Offer Arbitration

Final Offer Arbitration is a process for resolving disputes between railways and shippers over rates or service. It is triggered by an application from the shipper to the Agency. While these provisions are rarely used, shippers can leverage their ability to apply to the Agency for a Final Offer Arbitration in their negotiations with the railways.

Alberta's Position

The CTA Review Panel should call upon the federal government to:

15) Ensure that the Final Offer Arbitration provisions remain in the CTA.

D. Running Rights

Running rights enable a railway to run over the tracks of a second railway. For example, CN and CP have a number of commercial running rights agreements under which the two railways have negotiated terms and conditions for one railway to access the tracks of the other railway. In instances where the railways cannot negotiate commercial running rights agreements, the CTA permits any federally regulated railway to apply to the Agency for regulated running rights. The Agency is able to award running rights if it is in the public interest.

The regulated running rights provisions of the CTA are not currently used because of two Agency decisions that placed restrictions on their application. In May 2001, the Agency decided it did not have the authority to grant running rights that included traffic solicitation. In September 2002, the Agency determined that a statutory running right is an exceptional remedy that can only be granted if there is evidence of market abuse or market failure.

The Government of Alberta suggests that the running rights provisions of the CTA need to be strengthened to address instances where there is a lack of competition for a particular shipper or group of shippers. The Government of Alberta suggests that the public interest test used to determine if running rights will be granted should be modified. The CTA should be allowed to award running rights that include traffic solicitation rights where there is a lack of competition for a particular shipper or group of shippers (i.e., open running rights).

Running rights could be awarded in two forms:

- 1) A limited application by a shipper or group of shippers to provide their own rail transport, or contract with another rail service provider to an interswitching points, rail yard or final destination.
- 2) An application for running rights with traffic solicitation rights (i.e., open running rights) by another railway.

Alberta's Position

The CTA Review Panel should call upon the federal government to:

16) Modify the running rights provision to allow the Agency to award open running rights where there is a lack of competition.

Service Level Agreements with Reciprocal Penalties

One of the outcomes of the federal Rail Freight Service Review was the passage of the *Fair Rail Service Act*. The *Fair Rail Service Act* granted shippers the right to a Service Level Agreement. It also created an arbitration process to establish the operational terms of a contract if the shipper and railway are unable to agree on them. In 2014, the federal government passed the *Fair Rail Service for Grain*

Farmers Act that established the framework for what constitutes an operational term. The *Fair Rail Service for Grain Farmers Act* did not include performance incentives and consequences for non-performance in its definition of an operational term.

Shippers suggest that the *Fair Rail Freight Service Act* does little to encourage shippers to negotiate Service Level Agreements because the railways are unwilling to negotiate contracts that penalize them for poor performance.

The Government of Alberta suggests that the only way to encourage both railways and shippers to negotiate Service Level Agreements is to include reciprocal financial penalties for non-performance in arbitrated Service Level Agreements. Railways and shippers are more likely to come to an agreement on reciprocal financial penalties if they know they would be included in arbitrated Service Level Agreements.

Arbitrated Service Level Agreements should include penalties for railways in the following situations:

- Once a railway has agreed to spot cars, penalties should apply if they fail to deliver the agreed-upon cars on time; and
- Once the train has been loaded, the railway should be held accountable for arriving at the destination within a specific time frame.

Alberta's Position

The CTA Review Panel should call upon the federal government to:

- 17) Ensure that reciprocal financial penalties be included in arbitrated Service Level Agreements.**

Enhanced Performance Reporting

The rail freight system is complex and dynamic yet very little information on its overall operation and performance is available to regulators, policy makers, shippers or the public. This lack of information is evident in discussions of rail performance and rail legislation, as shippers and railways present sharply contrasting views on rail capacity. Little factual information on performance is shared and performance decision makers are left to formulate policy in the absence of reliable measures of system performance. Given the importance of rail transportation to Canada's economy, this absence of information must be remedied.

Appropriate measurements of rail system performance and capacity will allow industry and government stakeholders to assess if rail carriers are providing adequate rail services and foresight to any potential major issues.

Rail capacity is a function of the equipment available (cars and locomotives), staff (crews, etc.) and the speed at which trains move (transit times, dwell times, etc.). A rail system with abundant cars, locomotives and crews but suffering significant levels of congestion, may provide less usable capacity than a system with less rolling stock but fast transit times. Any measurement of system capacity must measure the components of capacity (rolling stock, crews available, transit times, congestion, etc.) to produce a meaningful measure of capacity.

Performance can be measured at two levels: performance at an individual shipper level and system-wide performance. Performance can be measured using metrics such as car order fulfillment, loading times, on-time car delivery, on-time car pick up, transit times, dwell times and measures of variability in service. Performance measures can be reported publicly at an aggregate level and by corridor, commodity or industry (as is done by the Grain Monitor Program).

Individual shippers could access their specific performance data under a confidentiality agreement and could compare the service they receive with an industry or corridor benchmark or average. Such data would also be useful in guiding the development of a service level agreement with a railway. Performance data could also be useful in developing or modifying a definition of “adequate and suitable accommodation.”

Alberta’s Position

The CTA Review Panel should call upon the federal government to:

- 18) Expand performance monitoring of the railways and other supply chain partners.**
- 19) Publicly report railway performance at the sector level.**
- 20) Establish a forum for railways and shippers to exchange information and discuss service concerns.**

The Role of the Canadian Transportation Agency

The Agency plays a vital role in the rail transportation system, administering regulations, resolving disputes and ensuring accessibility. Agency decisions establish principles and provide guidance for participants in the rail supply chain in establishing level of service expectations through its rulings on individual level of service complaints. However, the Agency does not have a mandate to investigate systemic problems with rail service or rail capacity, although it does provide advice in such matters to the Minister of Transportation.

This gap in the Agency authority was notable during the grain shipping backlog of 2013/2014. Political and legislative action was required to obtain the necessary information on the shipping backlog and craft a solution. If the Agency had powers to independently investigate solutions to the backlog, clearing of the backlog would have been expedited. Such independent authority for the Agency would also enable it to deal with issues such as common shipper reports of poor service on domestic and international routes.

The Government of Alberta considers it important to expand the mandate of the Agency to constrain railway abuse of market power. Although only anecdotal evidence of such abuses has been found, the Government of Alberta considers the lack of any mandate to investigate or restrain such behaviour a

fundamental shortcoming of the regulatory regime. To prevent railways from abusing market power in services provided, prohibitions on discriminatory and arbitrary service practices should be added to the CTA.

The Government of Alberta also suggests that the Agency should be mandated to provide a voluntary mediation service for railways and shippers to resolve disputes. As an example, the Surface Transportation Board in the United States helps railways and shippers mediate problems through an informal program called the Rail Customer and Public Assistance Program. The Rail Customer and Public Assistance Program has grown dramatically since it began in 2000 as both shippers and railways recognize the value to resolving disputes before they give rise to formal complaints.

The Government of Alberta suggests that the Agency hold a more open and transparent process to resolve rail service issues. The Government of Alberta understands that there is a need to protect confidential information, but the issues being considered by the Agency are of concern to all railways and shippers. A regular, ongoing forum for all supply chain participants to discuss issues could address some of these concerns.

Finally, the Government of Alberta suggests that membership of the Agency should include representatives from western Canada. The rail supply chain in Western Canada differs from other regions in its emphasis on the movement of commodities, geographic concentration of Class 1 railways and shippers spread over a wide geographic area. This combination of characteristics makes it important that the knowledge and expertise held by the members of the Agency include familiarity with the unique operating environment of the rail supply chain in Western Canada.

Alberta's Position

The CTA Review Panel should call upon the federal government to:

- 21) Give the Agency the mandate to investigate and address systemic shortfalls in rail service or rail capacity.**
- 22) Provide railways and shippers with an informal mediation service to resolve disputes before they become formal complaints.**
- 23) Make the process to resolve rail service complaints in front of the Agency more open and transparent.**
- 24) Expand the Agency's membership to include at least one representative from Western Canada.**

2.2 Rail Safety

Railway traffic increase is inevitable due to the rising demand for Alberta's exports in global markets. Railway traffic and road traffic collision avoidance is essential to protect the general public, and to minimize the downtime of the rail supply chain. New Grade Crossings Standards came into effect in 2014, whereas new at-grade crossings must be constructed to the new standards, which is intended to improve rail and vehicle safety at crossing. However, Transport Canada has substantially reduced its funding contribution from 80 per cent to 50 per cent for eligible federal crossings, and this would not help fund improvements to safety at crossings. Existing crossings must meet the previous standard except when major changes are planned, at which time the new standards must be used. Increasing

funding for the Grade Crossing Improvement Program would assist in improving safety at the road/railway crossings in a timely manner.

Transport Canada and the U.S. Department of Transportation are revising operation and equipment requirements after the tragic derailment in Lac-Mégantic; however, the proposals from the two regulators do not fully align. The industry needs consistent phase-out dates for legacy DOT-111 tank cars and a sufficient adaptation period for fleet retrofit or replacement to strike a balance between safety and impact to industry.

Transport Canada has launched a review of the third-party liability and compensation regimes for rail transportation. The proposed scheme by Transport Canada will require railways to carry different levels of minimum insurance coverage, and shippers to contribute to a supplemental fund through a shipment levy collected on certain dangerous goods. This proposal ultimately will protect taxpayers' interests in the event of a catastrophic derailment involving dangerous goods. Although the details for the proposal are still under consideration, Alberta calls for consistent insurance coverage and levy of all dangerous goods shipments regardless of the origin of the product or jurisdiction of the track in which the derailment or incident occurs, whether federally or provincially regulated. The proposed scheme must be applied consistently to minimize the negative impacts on the market competitiveness of shippers and railways.

Research has shown that in the U.S., broken rails and track welds are the leading cause of derailments.⁹ The U.S. notice of proposed rulemaking does not cover methods to improve track integrity, but rather relies on existing regulations and on-track rules to minimize derailments.

Alberta is concerned over the degradation of track and infrastructure, as well as the pressure on reduced operating crews under current load demands. With the anticipated surge in production over the next ten years, a firm commitment to infrastructure and operating condition renewal is needed to avoid significant events in the future. Both Canada and the U.S. must focus on ensuring the current maintenance of track integrity is sufficient for today's operation of longer, heavier and more frequent trains.

The latest proposal from the U.S. Department of Transportation will allow for a higher weight limit for individual rail tank cars to offset the impact of additional weight from the new safety features. It is uncertain whether Canada's existing rail infrastructure inspection and maintenance scheme is sufficient to offset the accelerated wear and tear; and if timely warning of track integrity issues (which may increase with heavier rail cars) for the train crews can reduce the number of derailments.

Class 1 railways must abide by proper dangerous goods incident reporting procedures to different levels of government. Between 2007 and 2013, Class 1 railways have failed to notify authorities or local provincial emergency response centres of reportable dangerous goods incidents 254 times.¹⁰ This jeopardizes public safety and the environment due to lack of local support for timely and coordinated response.

⁹ University of Illinois, 2012, Analysis of Causes of Major Train Derailment and Their Effect on Accident Rates, Liu et al, available at: <http://railtec.illinois.edu/CEE/pdf/Journal%20Papers/2012/Liu%20et%20al%202012.pdf>

¹⁰ Transportation Safety Board of Canada: <http://www.tsb.gc.ca/eng/medias-media/communiqués/autres-other/2014/stats-20141027.asp>

Non-reporting of incidents by railways is a serious breach of trust with local communities, and can hinder timely and coordinated emergency responses. In Alberta, railways must contact provincial level emergency response centres (i.e., Coordination and Information Centre) for transportation of dangerous goods incidents. Non-reporting of dangerous goods incidents must be viewed by Transport Canada as a serious breach, which requires appropriate action to be taken.

Provincial and local stakeholders need to have accurate and up-to-date information when an incident or derailment occurs. There needs to be effective coordination between the railways, provincial emergency response centres and first responders. Effective response coordination is essential as environmental emergency service providers require longer periods of time to arrive on the scene of an incident.

Privately-funded emergency responders must mirror the mandates to uphold public safety, welfare and environment as public emergency responders. Emergency response efforts cannot hold corporate interest (i.e., restoration of tracks) over public safety, welfare and environment.

On October 29, 2014, Transport Canada introduced a new scheduling system to mitigate rail worker fatigue. Monitoring the two Class 1 railways is required to ensure enough train operators (engineers) are employed to avoid fatigue and any associated safety risks. Transport Canada needs to regularly audit the adequacy of railways' fatigue management system, consistent to Transport Canada's recommendation 43 made in the 2007 *Railway Safety Act Review*¹¹.

Provincial dangerous goods inspectors (who also hold federal designations) currently lack the authority to take enforcement action as the result of a dangerous goods incident or violation of the Transportation of Dangerous Goods (TDG) Regulations on federal rail incidents occurring in Alberta. The Government of Alberta continues to work with Transport Canada to enhance the provincial role in responding to rail incidents. Rail transportation is lacking a shared governance model; which other modes of transportation, such as road carriers, have proven the benefits of. Allowing jurisdictions to share in the oversight of rail carriers would ensure effective safety compliance by Class 1 railways.

Alberta's Position

The CTA Review Panel should call upon the federal government to:

- 25) Increase funding for the Grade Crossing Improvement Program for safer railway crossings, and work with provincial governments on a plan to target priority projects to address the current backlog of grade crossing improvements that are required.**
- 26) Review track integrity maintenance and inspection scheme to account for current and forecasted volumes and to factor in emergency preparedness.**
- 27) Ensure alignment of rail operation and equipment requirements between Canada and the United States.**
- 28) Offer a sufficient time period for retrofit and replacement of tank car fleets.**

¹¹ Transport Canada, Railway Safety Act Review, Operational Issues: http://www.tc.gc.ca/eng/tcss/RSA_review/chapter9-396.htm

- 29) Ensure proposed liability and third-party compensation schemes provide coverage and levies on dangerous goods with hazardous properties, regardless of the origin of the shipment, or jurisdiction of the track where a derailment or incident occurs.**
- 30) Monitor the effectiveness of Emergency Response Assistance Plans (ERAP).**
- 31) Require Class 1 railways to coordinate incident responses with regional and provincial emergency responders to ensure incidents and derailments are effectively addressed and reported.**
- 32) Develop a true shared governance model for rail transportation, in a manner consistent with the current Memorandum of Agreement on federal road carriers in Alberta.**
- 33) Adopt the recommendations made in the 2007 Railway Safety Act Review, specifically on fatigue management.**

2.3 Passenger Rail

Canada's passenger rail services have focused on reducing overhead, administrative and operating costs, while improving the quality of service to attract more customers and increase revenues. Unfortunately, the demand for passenger rail has been declining for the past 60 years as other modes of transportation have increased their market share. Further decline in demand is expected as rail infrastructure continues to deteriorate and government funding towards passenger rail decreases.

High-speed passenger rail runs significantly faster and is more convenient than traditional rail traffic. While no high-speed rail system has been constructed in Canada to date, the federal government should provide guidance in establishing high-speed rail standards on rolling stocks, rail infrastructure and rail control.

Alberta's Position

The CTA Review Panel should call upon the federal government to:

- 34) Work with provinces and territories to develop high-speed rail standards.**

3.0 AIR TRANSPORTATION

3.1 Aviation Taxes and Charges

Government fiscal policy plays an important role in the cost of air service through taxes and airport rents, and payments in lieu of taxes. Canada's current fiscal approach makes it difficult for Canadian air carriers to compete against foreign airlines and for Canadian tourism operators to compete against other destinations.

Issues

The World Economic Forum, Travel and Tourism Competitiveness Report 2013, ranked Canada 124th in overall cost-competitiveness, and 136th out of 140 in the category of ticket taxes and airport charges.

Fiscal policy implications extend beyond passenger air transport. Roughly 35 per cent of the total value of goods traded around the world was transported by air in 2010.¹² An affordable, efficient air transportation system is critical in enabling Canadian businesses to deliver their products to foreign markets quickly and efficiently. In 2011, the annual fiscal challenge facing the aviation sector was \$1.2 billion in high taxes and charges.¹³ The resulting higher air fares lowered air travel by 3.7 million passengers and reduced tourism, trade and national productivity, leading to an estimated \$13.5 billion in lost GDP and 158,000 lost jobs.¹⁴

In Canada, very little of what is collected from the aviation sector by government is reinvested back into the aviation sector. Aviation is a net contributor to government general revenues. Airport rents have exceeded the book value of the assets transferred to airport authorities, and more is collected from the security fees than the Canadian Air Transport Security Authority (CATSA) receives as a budget.

There was overwhelming support among interviewed stakeholders¹⁵ to address issues that add to the cost burden under which the Canadian aviation industry, and the travellers and shippers, operate. There was consensus that the federal government should not use aviation taxes and charges for general revenues and to instead reinvest in the aviation sector.

Airport Rent

Rents are based on airport revenues, including Airport Improvement Fee (AIF) revenues. These are collected only for financing airport capital, not for covering operating costs. Thus, the current airport rent formula penalizes airports with major capital programs. The federal government receives higher rents when an airport's passengers pay higher AIF to finance capital improvement.

Payment in Lieu of Taxes/Grants in Lieu of Taxes

Canada's airports that are located on federal government lands are exempt from property taxes. However, payments in lieu of taxes (PILTs) or grants in lieu of taxes (GILTs) are made by some airports and all National Airport System (NAS) airports, except for those owned by territorial governments. For the regional/local airports, those operated by cities typically do not make any PILT/GILT payments, but some of those operated by independent airport societies do make payments.

Fuel Tax

Canada applies excise taxes on the sale of gasoline and diesel motor fuels, including aviation fuel.¹⁶ These accrue to the general treasury, and are not reinvested in the aviation sector. The federal government collects revenue from a fixed excise tax on gasoline and diesel fuel used in domestic air

¹² ATAG, "Aviation: Benefits Beyond Borders", March 2012. This 35 per cent of the *value* of exports accounts for less than one per cent of exports when measured by *weight*.

¹³ Intervistas, "Canada's Fiscal Policy for Aviation: What are the true costs", prepared for Alberta Tourism Parks and Recreation.

¹⁴ Intervistas, "Canada's Fiscal Policy for Aviation: What are the true costs", prepared for Alberta Tourism Parks and Recreation.

¹⁵ List of stakeholders provided in Appendix 1

¹⁶ Fuels such as propane, natural gas, ethanol and biodiesel are exempt from taxes.

transport. Fuel taxes do not apply to international air services under the requirements of a multilateral treaty Canada has signed.¹⁷ A general federal sales tax (GST) of five per cent is also applied to the sale of fuel, resulting in a cascading tax effect on the excise tax (i.e., tax on a tax).

Security Tax

The Air Traveller Security Charge (ATSC) is the largest source of revenue from air transportation for the federal government. The air travel security provided by federal agencies are funded out of proceeds from the ATSC, a charge levied directly on air travellers departing from Canadian airports.¹⁸ The amount of ATSC varies depending on whether the flight is domestic, trans-border or international. ATSC's per ticket range from about \$7 to \$26. In the 2012-2013 fiscal year, revenue contributions from the ATSC were \$636 million.

Regulatory Burden

Smaller airports and airlines are becoming hard-pressed to keep up with the increasing regulatory burden. Since Transport Canada has divested itself of the burden and cost of operating airports, the regulatory burden has grown significantly.

The Government of Alberta implemented the *Regional Airport Authorities Act (RAAA)* and *Regulation (RAAR)* in 1990 after the devolution of airports by the federal government in the early 1990s. The RAAA/RAAR allow for and define the creation, organization and structure of airport authorities to manage the day-to-day operations of airport facilities. This governance structure has been very successful in Alberta, a view shared also by airport authorities.

Airports Capital Assistance Program (ACAP)

The federal government does fund a capital program for regional/local airports. The fund, however, is limited to safety-related projects. Key investments such as terminal expansions to accommodate growth in passenger volumes are not eligible for ACAP funding. There is a possibility that some of the smaller National Airports System (NAS) airports will be able to opt out and be reclassified as regional/local airports. As some of the NAS airports are smaller than some regional/local airports, this has merit. Nevertheless, this would put further strain on a small annual budget.

Alberta's Position

The CTA Review Panel should call upon the federal government to:

- 35) Reduce airport rents, security fees and other fees, charges and taxes that reduce the cost competitiveness of the Canadian aviation system.**
- 36) Reinvest rents and charges that are collected back into the aviation system to ensure viability of the airport network.**
- 37) Reduce the regulatory burden imposed on smaller airports and ensure that the benefits of new regulations outweigh the costs.**

¹⁷ Transport Canada, *Transportation in Canada 2011*, p. 28.

¹⁸ Total passenger traffic refers to all traffic in Canada, not only the NAS airports. Source: Statistics Canada, *Air Carrier Traffic at Canadian Airports - 2012*, Table1-2.

38) Refrain from any legislative or regulatory initiatives that would infringe upon Alberta's Regional Airport Authorities Act or Regional Airport Authorities Regulation.

3.2 Visa Policy and Processing and Security Screening

Visa facilitation is recognized as a vital ingredient for tourism development and business travel. The UN World Tourism Organization (UNWTO) has issued a number of position papers calling for the removal of visa restrictions.

Issues

While Canada has made some progress in this regard, it has fallen behind many of its competitors in attracting inbound traffic from key tourism source countries, such as Brazil, Russia, India and China. The U.S. has reduced visa wait times to an average of five days for Chinese and Brazilian nationals, while Canada requires an average of 14 days. As well, the U.K. and Australia have streamlined their visa application processes.

The stakeholders consulted agreed that visa policy should be implemented that allows travellers to more easily visit Canada, or transit Canada. Visa policy, facilitation, and the general ease of doing business in or through Canada are essential to capitalize on this opportunity, with implications on tourism and trade.

Three key issues were identified:

- 1) **Improve visa logistics** - reduce the barrier for submitting passports by allowing electronic submissions. Replace conventional visa processing with Electronic Travel Authorization method.
- 2) **Faster issuance** - provide a one-day "express service" for eligible travellers and explore a Canada/U.S. reciprocal visa program.
- 3) **Expand access and information** - add additional visa processing centres in high visitor growth regions and allow applicants to provide additional information.

In addition, the federal government should seek to further reduce security screening delays and minimize wait times for all passengers travelling through Canadian airports as well as enhance the availability of real-time information for passengers.

Alberta's Position

The CTA Review Panel should call upon the federal government to:

- 39) **Further streamline visa processing and policy to increase the attractiveness of Canada for both business and recreational travel and to facilitate the seamless connection of transiting passengers through Canadian airports.**
- 40) **Minimize delays and wait times by improving the efficiency of federal airport security screening processes.**

3.3 Foreign Carrier Access

Historically, Canada has adopted a restrictive approach to international air service agreements. In the past, federal policy has limited points in Canada that can be served by foreign flag carriers, however policy has shifted to an “Open Skies” approach, a liberalization of the rules and regulations of the international aviation industry, to create a free-market environment for the airline industry.

Issues

Since the introduction of Canada’s Blue Sky policy in November 2006, Canada has reached “Open Skies”-type agreements with 16 countries. While this represents progress towards liberalizing Canada’s aviation policy to accommodate increased foreign carrier access, with the exception of South Korea, Brazil and the European Union, the majority of these nations do not represent significant potential inbound tourism markets, nor do they represent major growth areas for trade.

Canada had negotiations with five key nations since 2011 that led to expanded, but still restrictive, agreements: China, India, Taiwan, the Philippines and Japan. While these agreements are positive steps forward, the federal government has yet to reach “Open Skies” agreements with several core markets: Mexico, Japan, China, Australia and India. The U.S. has “Open Skies” with Japan, Australia and India, significantly opening up opportunity for market stimulation in the competing U.S. tourism industry.

“Open Skies” would likely help stimulate significant trade and economic growth opportunities with large and/or rapidly growing trade partners that currently have restricted access, such as China and India.

However, the Government of Alberta does have some concerns regarding the potential impact of “Open Skies” policy on Alberta-based air carriers.

“Open Skies”:

- Stakeholder positions on full adherence to an “Open Skies” policy are mixed. Many tourism stakeholders see potential improvements but other major stakeholders in Alberta oppose “Open Skies” with nations with limited origin/destination traffic.
- Stakeholders supported “Open Skies” agreements with major trade partners and nations with significant inbound tourism potential.

Air Bilateral Negotiations:

- Currently, only air carriers have observer status during the actual negotiations of international air service agreements. Airports are not present during the negotiations. Having airports present would enable the federal government’s negotiator to benefit from a broader perspective. The Canadian Airports Council, which represents all Canadian airports, would be preferable to provide a broad and neutral view.

- The majority of stakeholders support the continued efforts of the federal government to solicit input from provincial governments to ensure their trade and tourism objectives are considered. A strong intergovernmental approach is necessary to enhance direct air access opportunities.

Alberta's Position

41) Continue to invite provincial input into the development of the negotiating mandate for international air service agreements.

3.4 Foreign Air Carrier Ownership

Currently, foreign investors are limited to exercising no more than 25 per cent of the voting stock of Canadian airlines. The CTA has provision for this to be raised to 49 per cent.

Liberalized foreign ownership provisions could boost tourism and trade volumes by enabling carriers to lower their cost of capital, thus enabling lower-cost transportation. It could also result in the launch of new air capacity, either by foreign investment in expansion of existing Canadian air carriers, or by the launch of new air carriers operating within the Canadian market.

Issues

Foreign ownership of existing Canadian carriers:

- While there was support among many stakeholders for an increase in foreign ownership to 49 per cent from 25 per cent, this did not appear to be an immediate issue. A number of stakeholders questioned whether the availability of capital was a problem.
- A few stakeholders also indicated that key carriers should remain more securely in Canadian hands, to ensure a continuation of service and high-paying head office, crew and maintenance jobs.

Alberta's Position

The CTA Review Panel should call upon the federal government to:

42) Review foreign ownership restrictions which would increase foreign ownership from 25 per cent to 49 per cent.

4.0 MARINE TRANSPORTATION

Alberta's foreign trade is dependent on an efficient, reliable and competitive marine transportation system. Leveraging new economic opportunities, driven by growing international demand for Canadian natural resources, particularly in the Asia-Pacific region, is a priority.

Port Metro Vancouver (PMV) is Canada's largest port and the fourth largest tonnage port in North America, responsible for handling approximately \$172 billion in goods annually.¹⁹ Canada's Prairie provinces (Alberta, Saskatchewan and Manitoba) accounted for over 50 per cent of all exports through PMV in 2013.²⁰ In 2012, Alberta's exports through PMV totaled \$8.2 billion of Alberta's total marine and rail exports.²¹

In addition to Port Metro Vancouver, Western Canada exports through the Port of Prince Rupert are expected to increase. The Port of Prince Rupert moved into Alberta's top three ports of exit for marine exports in 2007, where it remained through 2012.²²

Port authorities face complex challenges in efficiently coordinating and managing the loading and off-loading of ships. Currently at Canada's west coast ports, there is anecdotal evidence that some ships are moving in and out of port multiple times before they are fully loaded. With trade volumes going through west coast ports expected to increase over the next decade, it may be necessary for the federal government to work more directly with port authorities to reduce or streamline any federal regulatory barriers to allow ports to continue to improve their overall efficiency.

4.1 Governance

Representation on a Port Authority's Board of Directors (Board) is directed by the contents of the Letters Patent, as issued by the Federal Minister of Transport.

PMV's Board is comprised of:

- An appointment by the federal government;
- Seven appointments by the federal government on recommendation of the Port User Group;
- An appointment by the province of British Columbia;
- An appointment by the Port Cities Committee (local municipalities); and
- An appointment by the western Prairie provinces.

Section 8(2) of the *Canada Marine Act* outlines the legislation for the appointment of port authority directors and, specific to PMV, the *Canada Marine Act* states:

"one individual appointed by the province in which the port is situated, and, in the case of the port wholly or partially located in Vancouver, another individual appointed by the Provinces of Alberta, Saskatchewan and Manitoba acting together".

Issues

The need to move towards a more integrated and collaborative transportation system for western Canada, while also being able to prepare for and strategically address increasing trade volumes and demand shifts from the Prairie provinces over the coming decades, provides an opportunity to expand

¹⁹ Port Metro Vancouver 2012 Economic Impact Study, <http://portmetrovancover.com/en/about/news/2013/06/04/port-metro-vancouver-releases-2012-economic-impact-study>.

²⁰ Percentage by value, Statistics Canada International Merchandise Trade Database (Updated as of Q1 2014).

²¹ Percentage by value, 2012 Transportation & Trade Report, Alberta Transportation, July 2013.

²² 2002-2012 Transportation & Trade Report, Alberta Transportation, June 2014.

PMV Board representation for the Prairie provinces. In addition to supplying a significant portion of the value and volume of goods being exported through the Port, increased PMV board representation for Prairie provinces will help in the following areas:

- Ensuring the development of clear strategic direction at the port level through increased alignment with upstream provinces.
- Matching port infrastructure and capacity to projected trade volume increases.
- Identifying and addressing broader transportation system issues and port-level implications.

Beyond the PMV, the review should assess the benefits and means for ensuring greater board representation for provinces that contribute significantly to the economic activity of other key Canadian Port Authorities. Prince Rupert and Thunder Bay, in particular, would benefit from having representation from Alberta on their Board of Directors.

Alberta's Position

The CTA Review Panel should call upon the federal government to:

43) Provide Alberta with a permanent seat on the Port Metro Vancouver Board of Directors.

44) Support Alberta's efforts to gain representation on boards for key economic Port Authorities where Alberta contributes significantly to the economic activity of that port (Prince Rupert and Thunder Bay Port Authorities).

4.2 Port Authority Borrowing Limits

Current borrowing limits for Canada's Port Authorities are guided by a port's Letters Patent as issued by the Federal Minister of Transport. These borrowing limits are in place to protect the public interest by ensuring the financial integrity of Port Authorities is maintained.

Issues

Borrowing limits for key economic port authorities may act as a barrier for leveraging new trade opportunities and strengthening Canada's marine transportation system. Ports need the financial flexibility to access sufficient capital and plan for long-term infrastructure growth so they can respond to the needs of their stakeholders. On Canada's west coast, the borrowing limits for ports of interest to Alberta such as the PMV and the Port of Prince Rupert (PPR) are \$510 million and \$75 million, respectively.

Western marine trade is expected to continue increasing due to growing international demand for Canada's natural resources. Ports such as the PMV and the PPR are working to increase capacity and infrastructure to meet this demand. For instance, the PPR's Gateway 2020 Development Plan outlines plans for terminal expansion, increased vessel traffic, while potentially bringing on new cargoes. In addition, with proposed energy projects and increasing efforts to alleviate rail bottlenecks, the need for marine capital investment is expected to continue growing for western ports.

Although external funding may be available to support growth needs (infrastructure projects and port operations), this funding can be heavily dependent on the port's ability to demonstrate their own

financial commitment. Borrowing limits should not be a hindrance for ports to meet their strategic growth objectives. Innovative financial tools and mechanisms could allow for easier and timelier access to capital for port authorities.

Alberta's Position

The CTA Review Panel should call upon the federal government to:

- 45) Reassess borrowing limits for key economic port authorities where these limits may act, or will act in the future, as barriers for the port authority to meet its strategic growth objectives.**

4.3 Marine Safety

The responsible development and export of Canada's resources is of utmost importance to all Canadians. Alberta recognizes the importance of marine safety and acknowledges the federal government's new measures to strengthen oil spill prevention, preparedness and response and move towards a world-class tanker safety system. These measures demonstrate the Government of Canada's ongoing commitment to strengthen marine safety measures to protect the public and the environment. Alberta encourages continued federal engagement with provinces, Aboriginal groups, and stakeholders in the marine industry to continue strengthening our tanker safety system and ensuring strong federal government spill response capacity is in place.

Issues

There is a national need to ensure that the risks of an oil spill at sea are minimized, especially with increasing public expectations regarding marine safety. All levels of government in Canada have a shared interest in protecting the public and the environment. The best way to minimize the risk of a spill is a strong prevention regime, and strict oversight of safety regulations that are in place.

To increase market access for Canada's resources, both in the short- and long-term, it is important for Canada to be a global leader in marine safety.

Alberta's Position

The CTA Review Panel should call upon the federal government to:

- 46) Continue to invite provincial and territorial input into any policy and regulatory changes needed to achieve global leadership in spill prevention, response and recovery.**

5.0 ACCESSIBILITY

Fully addressing the transportation needs to all persons with disabilities or low mobility is a difficult task, as it can be challenging to find the appropriate balance of person-centric and concise language. Our consultation had identified that while barriers may be reduced for certain groups, they continue to exist for others.

5.1 Policy

In 2007, Section 5 of the CTA was amended; these amendments include a provision intended to address and ensure accessibility.

The policy in Section 5, sets the tone and foundation for further accessibility provisions in Section 170. Due to the context-dependant nature of many of the provisions in Section 170, it is important that Section 5 use effective language to provide an interpretive foundation.

Issues

Alberta's stakeholder consultations presented a commonly held perspective that the terms 'undue', 'obstacle' and 'mobility' are outdated or insufficient. Current wording in Section 5 does not capture all disabilities, such as the hard of hearing, the blind or partially sighted or persons with epilepsy.

The language used in the National Transportation Policy is outdated and inconsistent with other related statutes, such as, the United Nations Convention on the Rights of Persons with Disabilities (UNCRPD)²³. The UNCRPD was ratified by Canada in 2010 and provides current and comprehensive language with respect to accessibility. The UNCRPD defines the term disability as an evolving concept, and that disability results from the interaction between persons with impairments and attitudinal and environmental barriers that hinders full and effective participation in society on an equal basis with others.

Section 5(d) comparatively does not address these issues effectively and limits the definition of the term disability. Further the ambiguity of the terms "undue", "obstacle" and "mobility" leave accessibility policies open to interpretation and lacking consistency across the board.

Alberta's Position

The CTA Review Panel should call upon the federal government to:

- 47) Update Section 5(d) of the CTA to ensure that language is aligned with the United Nations Convention on the Rights of Persons with Disabilities.**

5.2 Enforcement and Implementation

The enforcement and implementation of the accessibility-related provisions in Section 170 involve a variety of tools and mechanisms. This includes regulations, codes of practice and informal tools for travellers and operators. While the current system has aspects that appear to be effective, there is concern that the system as a whole is not resulting in a barrier-free transportation experience.

²³ UN Convention on the Rights of Persons with Disabilities, Preamble, <http://www.un.org/disabilities/convention/conventionfull.shtml>.

Issues

Alberta's discussions with stakeholders indicated that there are general enforcement and implementation concerns in a number of different areas. Although there are codes already in place, more recent approaches have emphasized voluntary 'codes of practice' for dealing with accessibility. For example, Canada's two major airlines have differing interpretations regarding the application of accessibility regulations for persons with disabilities; creating inconsistency within the industry.

Making the existing codes of practice, like the Inner City Bus Code of Practice,²⁴ would help to ensure accessibility regulations are applied consistently.

Stakeholders recognize that there may be capacity limitations in different situations that necessitate exemptions to accessibility requirements, but noted that the possibility of exemption in Section 170(3) impacts the perceived importance and authority of regulations. There were also concerns that exemptions could create confusion, ineffective and reactive remedies and result in less than optimal accessibility. Stakeholders further affirmed this perspective by referencing a 2005 document produced by the Council of Canadians with Disabilities *Moving Backwards: Canada's State of Transportation Accessibility in an International Context*.²⁵

Alberta's Position

The CTA Review Panel should call upon the federal government to:

- 48) Enforce and implement the accessibility provisions that need to be updated to increase effectiveness for issues like compliance, barrier removal, integration, access to information, and the ability of the Agency to impose punitive financial remedies.**
- 49) Strengthen language in the CTA to make existing codes of practice mandatory instead of voluntary.**
- 50) Make exemptions transparent and public.**

5.3 Fees for Attendants

Section 170(1)(c) of the CTA outlines that the Agency may make regulations with respect to rates or fees, as well as terms or conditions, with respect to the transportation of persons with disabilities. This section does not effectively address rates and fees that could be charged for attendants of disabled persons.

Guides on the Agency's website²⁶ provide tools for disabled persons travelling with attendants, which outline responsibilities of the disabled person and the carrier. However, these resource tools are not rules disabled persons or carriers must follow and the documents themselves reflect that.

²⁴ Transport Canada, Intercity Bus Code of Practice, April 2011, <https://www.tc.gc.ca/eng/policy/acc-accf-accessintercitybuscode-711.htm>

²⁵ Final Report to the Council of Canadians with Disabilities, February 2005, *Moving Backwards: Canada's State of Transportation Accessibility in an International Context*,

<http://www.ccdonline.ca/en/transportation/minister/movingback#Before%20Not%20After>

²⁶ Canadian Transportation Agency, Accessibility, <https://www.otc-cta.gc.ca/eng/accessibility>

With respect to fees or charges the attendant could incur, the guide encourages them to contact the carrier to discuss possible fees. Certain disabled persons are required to travel with an attendant and the fees for these attendants are not applied consistently across various modes of transportation.

Alberta’s Position

The CTA Review Panel should call upon the federal government to:

- 51) Expand Section 170(1)(c) of the CTA to include legitimate attendants of persons with disabilities.

6.0 SUMMARY TABLE OF ALBERTA’S POSITIONS

The CTA Review Panel should call upon the federal government to:

1.0 National Transportation Policy

1.1	<ul style="list-style-type: none"> 1) Include Canada’s vision for transportation in the CTA, as approved by the Council of Transportation Ministers in 2013. 2) Recognize that an efficient and sustainable transportation system is one where the users of the system bear the costs of building and maintaining that system. 3) Recognize the importance of ensuring that all modes of transportation are able to integrate seamlessly into the national transportation system.
1.2	<ul style="list-style-type: none"> 4) Provide federal funding that focuses on improving market access for Canada’s exports, particularly for Western Canada’s exports to the Asia-Pacific Region. 5) Improve multi-modal connectivity to gateway and corridor access points, including inland ports and inland border crossings, such as targeted reductions in wait times and real-time information on current and forecasted wait times. 6) Work with provinces and territories to reduce both internal and external non-tariff barriers through renewal and enhancement of the Agreement on Internal Trade and continued efforts to align relevant standards between Canada and the United States. 7) Improve and enhance the availability of transportation statistics and the timeliness of their reporting, and work with stakeholders to reduce the response burden for reporting by using alternative methods of collection, such as administrative data or electronic transfer. 8) Ensure federal government regulations are based on full evidence-based cost-benefit analysis including risk management analysis where safety is a concern. 9) Further advance the supply chain performance monitoring program and expand the program to include provincial representation.
1.3	<ul style="list-style-type: none"> 10) Work with provinces and territories to establish national ITS strategy that supports and promotes long-term development and deployment of ITS technologies and ensures the system is interoperable across Canada.
1.4	<ul style="list-style-type: none"> 11) Continue the practice of including a base level of funding to provinces and territories in its infrastructure programs. This base level of funding helps to address some of the challenges of providing infrastructure in provinces and territories with small populations.

2.0 Rail Transportation

2.1	<p>12) Define the term “adequate and suitable” in the CTA. The Government of Alberta suggests this definition reflect the business needs of shippers (number of cars, routes, and frequency of service) and be reasonable in terms of what the railway can supply.</p> <p>13) The new interswitching distances be made permanent in the CTA. The federal government should provide shippers with information on how to take advantage of new regulations, including establishing a website that shows the locations of all available interswitching points in Canada.</p> <p>14) Modify the Competitive Line Rate provisions to remove the requirement that a shipper have an agreement with the connecting railway before the shipper can access a CLR.</p> <p>15) Ensure that the Final Offer Arbitration provisions remain in the CTA.</p> <p>16) Modify the running rights provision to allow the Agency to award open running rights where there is a lack of competition.</p> <p>17) Ensure that reciprocal financial penalties be included in arbitrated Service Level Agreements.</p> <p>18) Expand performance monitoring of the railways and other supply chain partners.</p> <p>19) Publicly report railway performance at the sector level.</p> <p>20) Establish a forum for railways and shippers to exchange information and discuss service concerns.</p> <p>21) Give the Agency the mandate to investigate and address systemic shortfalls in rail service or rail capacity.</p> <p>22) Provide railways and shippers with an informal mediation service to resolve disputes before they become formal complaints.</p> <p>23) Make the process to resolve rail service complaints in front of the Agency more open and transparent.</p> <p>24) Expand the Agency’s membership to include at least one representative from Western Canada.</p>
2.2	<p>25) Increase funding for the Grade Crossing Improvement Program for safer railway crossings, and work with provincial governments on a plan to target priority projects to address the current backlog of grade crossing improvements that are required.</p> <p>26) Review track integrity maintenance and inspection scheme to account for current and forecasted volumes and to factor in emergency preparedness.</p> <p>27) Ensure alignment of rail operation and equipment requirements between Canada and the United States.</p> <p>28) Offer a sufficient time period for retrofit and replacement of tank car fleets.</p> <p>29) Ensure proposed liability and third-party compensation schemes provide coverage and levies on dangerous goods with hazardous properties, regardless of the origin of the shipment, or jurisdiction of the track where a derailment or incident occurs.</p> <p>30) Monitor the effectiveness of Emergency Response Assistance Plans (ERAP).</p> <p>31) Require Class 1 railways to coordinate incident responses with regional and provincial emergency responders to ensure incidents and derailments are effectively addressed and reported.</p> <p>32) Develop a true shared governance model for rail transportation, in a manner consistent with the current Memorandum of Agreement on federal road carriers in Alberta.</p> <p>33) Adopt the recommendations made in the 2007 Railway Safety Act Review, specifically on fatigue management.</p>
2.3	<p>34) Work with provinces and territories to develop high-speed rail standards.</p>

3.0 Air Transportation

3.1	<p>35) Reduce airport rents, security fees and other fees, charges and taxes that reduce the cost-competitiveness of the Canadian aviation system.</p> <p>36) Reinvest rents and charges that are collected back into the aviation system to ensure viability of the airport network.</p> <p>37) Reduce the regulatory burden imposed on smaller airports and ensure that the benefits of new regulations outweigh the costs.</p> <p>38) Refrain from any legislative or regulatory initiatives that would infringe upon Alberta's Regional Airport Authorities Act or Regional Airport Authorities Regulation.</p>
3.2	<p>39) Further streamline visa processing and policy to increase the attractiveness of Canada for both business and recreational travel and to facilitate the seamless connection of transiting passengers through Canadian airports.</p> <p>40) Minimize delays and wait times by improving the efficiency of federal airport security screening processes.</p>
3.3	41) Continue to invite provincial input into the development of the negotiating mandate for international air service agreements.
3.4	42) Review foreign ownership restrictions which would increase foreign ownership from 25 per cent to 49 per cent.

4.0 Marine Transportation

4.1	<p>43) Provide Alberta with a permanent seat on the Port Metro Vancouver Board of Directors.</p> <p>44) Support Alberta's efforts to gain representation on boards for key economic Port Authorities where Alberta contributes significantly to the economic activity of that port (Prince Rupert and Thunder Bay Port Authorities).</p>
4.2	45) Reassess borrowing limits for key economic port authorities where these limits may act, or will act in the future, as barriers for the port authority to meet its strategic growth objectives.
4.3	46) Continue to invite provincial and territorial input into any policy and regulatory changes needed to achieve global leadership in spill prevention, response and recovery.

5.0 Accessibility

5.1	47) Update Section 5(d) of the CTA to ensure that language is aligned with the United Nations Convention on the Rights of Persons with Disabilities.
5.2	<p>48) Update the enforcement and implementation of the accessibility provisions to increase effectiveness for issues like compliance, barrier removal, integration, access to information, and the ability of the Agency to impose punitive financial remedies.</p> <p>49) Strengthen language in the CTA to make existing codes of practice mandatory instead of voluntary.</p> <p>50) Make exemptions transparent and public.</p>
5.3	51) Expand Section 170(1)(c) of the CTA to include the legitimate attendants of persons with disabilities.