



ASSOCIATION OF CANADIAN PORT AUTHORITIES
ASSOCIATION DES ADMINISTRATIONS PORTUAIRES CANADIENNES

Investment in Canada's National Port System Supports Increased Canadian Trade

How the government can unshackle Canadian ports to achieve job creation and economic growth across the country.

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EXECUTIVE SUMMARY

Canada's international trade performance depends on the quality of our transportation system at home and with 90 per cent of everything we buy travelling by ship, Canada's eighteen port authorities are at the heart of the global supply chain and economic opportunity for Canada.

Our coastal areas and waterways are seeing more shipping than ever before. Canada must be prepared to adapt to changing trade flows, and seize the moment to strengthen our facilities and improve supply chain efficiencies.

Canada's Port Authorities (CPAs) handle nearly two-thirds of the country's waterborne cargo and are pivotal in driving our country's economic growth. In the process, we create thousands of direct and indirect jobs that pay higher-than-average wages. And with every one million tonnes of new cargo at Canada's ports generating 300 new jobs¹, we are barely scratching the surface of our true potential.

Our CPA's are world-class facilities and powerful trade enablers for Canada. They are a key component to help deliver the government's mandate to increase Canada's trade in large, fast growing markets, while respecting sustainable practices and low carbon processes.

Through Budget 2017, the Association of Canadian Port Authorities (ACPA) is calling for investments in Canada's National Port System that will unshackle and support Canadian ports and allow them to work in tandem with the federal government to help achieve core national economic objectives: job creation and economic growth across the country.

Budget 2017 can address these requirements in the following ways:

1. Provide a one-time injection of \$1.9 billion for the rehabilitation of existing port assets.
2. Ensure that ports and short-sea-shipping are eligible for federal funding programs aimed at environmental protection, carbon and greenhouse gas reduction, and climate change adaptation and mitigation including green infrastructure and technology supports. .
3. Remove barriers to financial flexibility for ports by improving the amendment process for supplementary letters patent and providing flexibility on borrowing capabilities.

¹ Merk, O., *The Competitiveness of Global Port-Cities: Synthesis Report*, OECD, Paris, 2010, p. 7.

BACKGROUND

Founded in 1958, the ACPA joins together the 18 Canadian Port Authorities and related marine interests into one national association. Our members handle more than \$400 billion worth of cargo annually. It's our mission to encourage and stimulate the development of the Canadian port industry and to advance the interests of our members while helping foster the broader trade and economic interests of Canada.

We are proud of our world-class ports and the role we play in determining Canadians' quality of life; however, we are determined to do more and become even better. We work continuously with government and community partners to improve the safety, security and reliability of our operations in order to advance Canada's leadership in the marine shipping sector.

Remaining competitive in a rapidly changing world will require us to strengthen our port facilities and improve their supply chain efficiencies. We are confident that with the support of the Government of Canada we can vault into the World Bank's Top 10 countries in the world for efficient logistics.

The World Bank's 2016 Logistics Performance Index is an important ranking because it is an alternate measure for the efficiency of a nation's economy, and is indicative of a country's competitiveness. In 2016, Canada ranked 14th – down from 12th place in 2014. ACPA believes Canada should rightfully occupy the Top 10.

INFRASTRUCTURE INVESTMENT IN CANADA'S PORTS

Developing port infrastructure to meet ever-growing trade demands requires access to capital funding. An ACPA - Transport Canada² study of port infrastructure requirements found a capital investment requirement of \$5.8 billion to meet growing demand. Of this, \$1.9 billion (or 33 per cent) is related to the rehabilitation of existing port assets. This public funding of strategic port infrastructure is needed to assist in maximizing Canada's economic output.

Of the \$1.9 billion investment needed to rehabilitate existing assets, \$792 million is needed for waterside infrastructure, \$758 million for landside infrastructure and \$358 million for intermodal/other infrastructure. Overwhelmingly, waterside infrastructure needs relate to wharf sub-structures and/or berth-face structures. The challenge for ports is finding financing for these necessary rehabilitative projects, as opposed to development projects, which have a higher potential for return for investment. Many of the infrastructure needs are also driven by the impact of climate change and should be considered within the framework of climate change adaptation.

Addressing port funding needs could be achieved by developing a new ports capital assistance program, similar to Transport Canada's *Airports Capital Assistance Program*. This latter program provides federal infrastructure support inversely related to airport passenger traffic. As a result, small- and medium-sized airports receive a higher percentage of federal funding contributions than do larger facilities. A similar program for ports could be based on tonnage throughput or revenue generated. Further, consideration should be given to developing a no- or low-interest loan program to address legacy port infrastructure issues.

² CPCS Transcom, Canada Port Authority Infrastructure Study: Port Infrastructure Investment Needs and Plans, Association of Canadian Port Authorities, Ottawa, 2011

Ultimately an investment in port infrastructure will have a multiplier effect. The initial injection will go into supporting the local economy and labour force while the secondary bounce comes from the ability of the port to grow its cargo.

Recommendations:

- That the federal government invest \$1.9 billion in the rehabilitation of existing port assets.
- Design or amend federal trade support infrastructure programs so that they avoid embedding barriers to eligibility for participation by smaller ports. This may be achieved with:
 - A new ports program similar to transport Canada's *Airports Capital Assistance Program*, and
 - Establishing a long-term, dedicated no- or low-interest loan pool to enable ports to address the rehabilitation and maintenance challenges of legacy port infrastructure.

THE OPPORTUNITY FOR PORTS AND MARINE SHIPPING TO REDUCE CARBON AND GHG'S

Protection of the environment is a priority for Canada's Port Authorities. Our CPAs are proud to be environmentally responsible, committed to sustainable development and are always working to continuously develop additional tools and measures to strengthen the industry's environmental performance.

Marine shipping also offers a unique opportunity to achieve significant environmental benefits as a means of transporting heavy cargo in a highly energy efficient and safe manner. . For instance, Canadian Great Lake vessels safely carry roughly 30,000 tonnes of cargo, which is the equivalent of 963 trucks or 301 rail cars. ACPA urges the government to actively support and recognize ports and marine transportation as underutilized means of mitigating and adapting to climate change while also strengthening a key economic and trade enabler.

Recommendation:

- Ensure that ports and marine transportation are eligible for federal funding programs aimed at reducing carbon, greenhouse gases, and climate adaptation and mitigation. This could include programs for funding into green technologies, green infrastructure and supply chain efficiencies.

UNSHACKLE THE NATIONAL PORT SYSTEM

Empowering ports is a win-win for ACPA members and the federal government. Removing barriers to give ports financial flexibility and resolving regulatory issues are ways for us to work together. Doing so will help unshackle the national port system to allow ports to work in tandem with the federal government to help achieve core national economic objectives: job creation and economic growth across the country.

Canada's National Port System needs to be strengthened by amending the *Competition Act* to allow port authorities to collaborate with an eye to maximize asset utilization. This will help ease the burden of uneven pressure and demands that will be exerted on ports by shifting global trade patterns.

Financial flexibility for Canadian ports will also enable them to act quickly to capture emerging commercial opportunities to maximize trade benefits for Canada's economy. Current caps on borrowing limits, which are set much lower than what port development projects require, present a challenge for ports. The federal government could relax restrictions on borrowing limits for ports and let the commercial financial market determine their borrowing capacity, or it could streamline the process to allow ports to increase their borrowing limits by demonstrating a high level of financial stability.

Another barrier to growth is the delay in obtaining supplementary letters patent amendments. Ports cite many examples of delays leading to the loss of opportunities to acquire necessary lands for port development. In addition, the *Canada Marine Act* should be amended to allow ports to lease or purchase Schedule "C" lands (those other than federal property) without requiring a supplementary letters patent amendment.

Recommendations:

- Amend the *Competition Act* to allow port authorities to collaborate with an eye to maximize asset utilization.
- Streamline the procedures and approval process for supplementary letters patent amendments to enable Canadian Port Authorities to meet market competition in leasing or acquiring port lands.
- Review the current funding models available to ports, including the caps on borrowing limits to provide enhanced financial flexibility to these entities.

Ports can continue to be powerful trade enablers for Canada, but to do so we have to be flexible and able to adapt to changing commercial market forces. Greater autonomy, enhanced commercialization and removing barriers to financial flexibility would give port authorities the power to pursue trade-related opportunities and reduce current restrictions that may serve as obstacles.

CONCLUSION

Improving Canada's transportation system is essential to driving the country's economic growth, and as our ambitious trade agenda continues to move forward, it is crucial that we take the necessary steps to unshackle and support Canadian ports.

Ascending the ladder and improving our position as a leading trading nation by breaking into the World Bank's Top 10 trading nations in terms of supply chain efficiency is a strong metric that we can track to report on the progress of our commitments. We are confident we can improve our position with the Government of Canada on board.

Through Budget 2017 the Government can engage with Canada's ports to enhance our infrastructure to accommodate increasing trade demands, remove the barriers to financial flexibility, ensure that ports are included in future funding programs aimed at reducing carbon, mitigating and adapting to climate change.

As Canada continues to shine as a trading nation with a free and open economy, the time is now to invest in Canada's National Port system to support increased Canadian Trade. Acting upon the recommendations contained in this submission will help Canada achieve and advance its global commercial agenda, and the Canadian Port Authorities stand ready to help seize what truly is a golden opportunity.