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The leading voice of Canadian ports
La voix principale des ports canadiens

Enhancing Canada Port Authorities Essential to Canadian Agriculture Sector

Submission to the House of Commons Standing Committee on Agriculture and Agri-Food – March 2022

The ability of Canadian agricultural producers to ship commodities and inputs get in and out of the country, feed the world, and fuel our economy is directly related to Canada's port capacity. In 2020, Canada's ports moved more than 60 million tonnes worth of grain and containerized specialty crops. The value of Canada's agricultural exports in 2019 was $35.4 billion, with the U.S., Japan, South Korea, Mexico, Italy, Bangladesh and India as notable markets.[a] And, the ports of Vancouver, Montreal, Saint John and Thunder Bay, also moved another key agricultural input, eleven million tonnes of potash fertilizer.

Canada's National Ports System (NPS) is comprised of seventeen Canada Port Authorities (CPAs) established under the Canada Marine Act of 1998. The National Ports System is mandated to support the competitiveness, growth and prosperity of our national and regional economies by promoting Canada's competitiveness and trade objectives by addressing and satisfying user needs at a reasonable cost.

And, while ports have been resilient over the past two years of COVID and have continued to operate with relatively little disruption, apart from the flood impacts on the Port of Vancouver, the need to increase, optimize and update port infrastructure is now even more pressing. Canada's economic and trade ambitions are clashing with the challenges of climate change impacts on infrastructure, decarbonization, global trade and mounting geopolitical tensions. Trade agreement fulfillment and plans to increase output to meet increasing global population needs almost seem secondary to these more recent challenges. As Ukraine and Russia struggle to sow crops for 2022, Canadian wheat, pulses and grains will be in greater demand, with ports as key links in moving that cargo out to the world.

The imperative is clear that Canada's ports need to update and enhance resilient and sustainable capacity and technology to meet trade obligations and the energy transition.

Ports will need to update infrastructure to meet environmental compliance requirements for land, water, air and vessels. Ports will need to build infrastructure that can accommodate climate change impacts such as storm surges, floods, rising water levels and erosion. Ports will need to update infrastructure to serve new fuel sources. Ports will need to update physical and virtual infrastructure and expand land holdings to optimize supply chains and ensure cybersecurity.

The overall infrastructure investment requirement is divided between rehabilitating existing port infrastructure (33%) and developing and expanding port infrastructure to address the country's growing international and domestic marine based trade (67%); the value of this investment calculated at $5.1 billion has increased significantly but gives an indication of the gap which has grown since the study was commissioned by Transport Canada a decade ago. Indeed, many projects and initiatives are underway by CPAs to address these various gaps, but more needs to be done. By fully addressing these gaps, ports will be further equipped to serve Canada's agricultural needs.

While Canada's port infrastructure is adapting and working within current frameworks to overcome these challenges, adaptation from government in the form of funding, policy and regulatory changes is required. As much as our ports operate, innovate and build within their revenue and governance structures, with no public operational funds, they will remain limited by government policy and funding frameworks. The imperative for this support is clear when one considers the tonnage and value of the goods to our economy, particularly agricultural commodities.

Given the importance of ports to Canada's agricultural and agri-food sector and the current infrastructure, funding and policy needs, the specific actions the federal government can take to ensure the long-term stability and reliance of this supply chain include:

- **Develop a National Supply Chain Strategy.** Governments need to work with CPAs to develop a national supply chain strategy that ensures that supply chains are not vulnerable to labour disruption, capacity constraints, or climate change impacts, including natural disasters. This would send a signal to Canadians and the world that Canada has the strategy, support and resilient services that trading nations are seeking for trade in key commodities, like agriculture, and traded goods.

  This strategy would be based on a comparative assessment of current Canadian physical and virtual supply chain capacity against future needs to identify gaps and innovation goals. Specific elements of such a strategy to address gaps would include:

  - dedicated freight corridors across the country;
  - the use of short sea shipping;
  - designation of port workers as essential workers;
  - data optimization for real time supply chain efficiency;
  - funding and access to private capital;
  - physical and virtual supply chain capacity building across the country to ensure redundancy, regional economic development and enhanced trading connections on all trade routes.

- **Establish the National Trade Corridors Fund as a permanent program that directly supports a national supply chain strategy, including predictable and reliable infrastructure to move agricultural commodities and agri-foods.** The National Trade Corridors Fund (NTCF) has been a key component of recent support to ports and a major indication of government support. However, the NTCF is scheduled to sunset in 2028.

- **Immediately extend financial flexibility for ports to access private capital, much of it Canadian based, and CPA eligibility for funds dedicated to decarbonization, innovation and fuels of the future.** Since the NTCF was established in 2018, CPAs have received $872 million to date. However, as generous and timely as this support has been, there is a gap in the investments needed for both deferred maintenance of existing infrastructure and the infrastructure needed to keep pace with global change – government can't do it all, nor should it, especially when private capital is available.

Specifically, financial flexibility would mean:

- **Increased borrowing limits for port infrastructure projects**
  A critical element of building the infrastructure of the future is the ability of ports to raise funds on their own. Despite significant growth in CPAs' financial capabilities and infrastructure over the years and recognition of the value of trade-enabling infrastructure, CPAs have been operating with the same unrealistically low borrowing limits originally set decades ago. This situation has constricted the development and innovation of Canada's trade infrastructure and delayed private investment. Federal authorities must take steps to overhaul current procedures governing borrowing limits to enable CPAs to fully take advantage of private capital partners — including pension funds — willing to invest in port projects. To that end, the government could implement one of the following financial flexibility provisions:

  - Revise the current procedure for establishing borrowing limits so that they are determined by commercial financial institutions or use similar criteria; or
  - In lieu of borrowing limits, establish minimum credit ratings and/or reasonable debt servicing metrics for each CPA to permit borrowing within normal market ranges.

- **Amended funding program leveraging ratio for shovel-ready projects**
  Port authorities have numerous shovel-ready and indeed shovel-worthy projects ready to go, but these have been deferred to maintain liquidity. As ports use their liquidity to keep staff working and support local businesses with rent relief and similar requests, they are losing their financial position to move these projects forward. Such projects are funded in a 1:1 ratio of project proponent to government funds. ACPA is seeking recognition of this and rebalancing of government levels of support for shovel-ready projects to a 1:3 ratio with the federal government funding projects to 75%.

- **Land acquisition and disposal**
  Ports' regulatory framework should ensure port authorities are more expressly empowered as part of their core mandate to engage in trade-facilitation activities. This is notwithstanding the primary mode of transportation, which may include logistics facilities, inland ports and supply chain related uses. With an expanded mandate, CPAs will be able to better serve and grow agricultural trade and capacity in Canada.

- **Evolved Governance, Business Models and Financial Flexibility for Ports**
  To evolve, CPAs need governance models that enable innovation in port business models and enable ports to go beyond their marine mandate. Leading global ports have expanded their mandates up the supply chain from cargo handling and property management to business partnerships that yield goods and services. Ports offer the value-add of logistical expertise and cargo processing that comes from moving cargo and data.

The CPA model has been proven to work well for Canada and the communities and regions they serve, by protecting the environment while also maintaining marine commerce resilience. With action on our recommendations, CPAs could be a model for global success and position Canada and its agricultural sector as global leaders.

Our agricultural sector needs to know that Canadian port and supply chain infrastructure are keeping pace with our trading partners and competitors around the world and, ideally, poised to surpass our future needs. Canada Port Authorities stand ready to meet the challenges generated by growth in the agricultural exports sector. Increasing agricultural exports will require new or expanded port infrastructure.

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[a] https://wits.worldbank.org/CountryProfile/en/CAN