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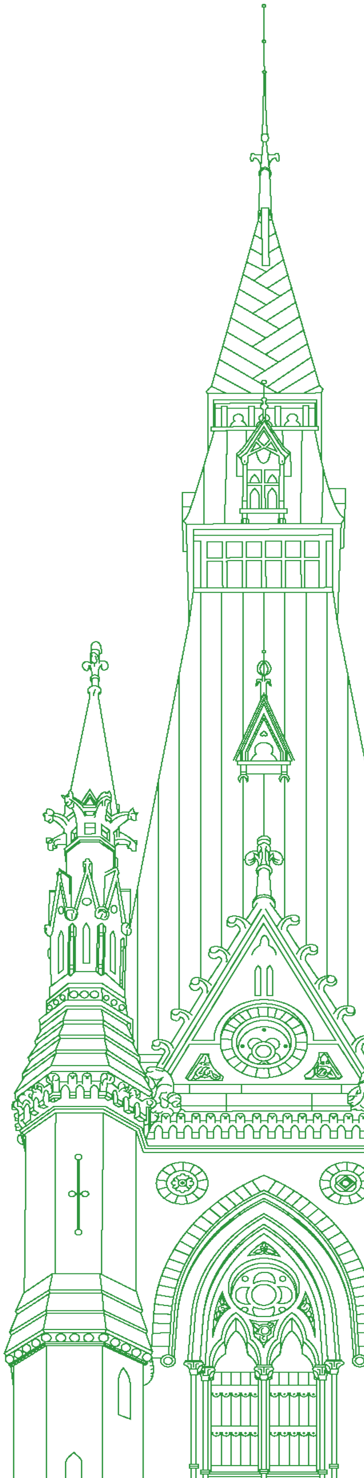

Chair: The Honourable Judy A. Sgro

Standing Committee on International Trade

Tuesday, October 18, 2022

● (1105)

[*English*]

The Chair (Hon. Judy A. Sgro (Humber River—Black Creek, Lib.)): I call this meeting to order.

This is meeting number 30 of the Standing Committee on International Trade.

There have been some changes in the membership.

I'd like to turn to Mr. Baldinelli.

Mr. Tony Baldinelli (Niagara Falls, CPC): Thank you, Madam Chair.

Good morning, everyone. Good morning, witnesses.

Before we start, I'd like work through a bit of committee business by nominating Kyle Seeback to be the vice-chair of this committee.

Mr. Colin Carrie (Oshawa, CPC): I'll second that.

The Chair: The clerk will read the script.

The Clerk of the Committee (Ms. Dancella Boyi): Pursuant to Standing Order 106(2), the vice-chair must be of the official opposition.

[*Translation*]

I am now ready to receive motions for the first vice-chair.

It was moved by Mr. Baldinelli that Mr. Seeback be elected first vice-chair of the committee.

[*English*]

Are there any further motions?

Is it the pleasure of the committee to adopt the motion?

(Motion agreed to)

The Clerk: I declare the motion carried and Mr. Seeback duly elected first vice-chair of the committee.

Some hon. members: Hear, hear!

The Chair: Welcome, Mr. Seeback, and congratulations. We're glad to have you.

Mr. Carrie, I'm really happy to have you on this committee. We've done lots of work together over the years. Welcome. This is a great committee. We do a lot of interesting work, and we welcome both of you.

Today's meeting is taking place in a hybrid format pursuant to the House order of June 23, 2022, and therefore members are attending in person in the room and remotely by using the Zoom application. I'd like to make a few comments for the benefit of both the witnesses and the members.

Please wait until I recognize you by name before speaking. When speaking, please speak slowly and clearly. For those participating by video conference, click on the microphone icon to activate your mike and please mute yourself when you are not speaking.

With regard to interpretation, those on Zoom have the choice at the bottom of the screen of either “floor”, “English” or “French”. Those in the room can use the earpiece and select the desired channel.

As a reminder, all comments should be addressed through the chair. For members in the room, if you wish to speak, please raise your hand. For members on Zoom, please use the “raise hand” function. The clerk and I will manage the speaking order as best we can, and we appreciate your patience and understanding in this regard.

Please also note that during the meeting it is not permitted to take pictures in the room or screenshots on Zoom.

Should any technical challenges arise, please advise me. Please note that we may need to suspend for a few minutes, as we need to ensure all members are able to participate fully.

Pursuant to Standing Order 108(2) and the motion adopted by the committee on Tuesday, September 27, 2022, the committee is conducting its study of potential trade implications of transporting goods in railway containers.

We have with us today, from the Association of Canadian Port Authorities, Daniel-Robert Gooch, president and chief executive officer, and Debbie Murray, senior director, policy and regulatory affairs; from the Canadian National Railway Company, Doug MacDonald, chief marketing officer; by video conference, from GCT Global Container Terminals, Marko Dekovic, vice-president, public affairs; and from the Vancouver Fraser Port Authority, Duncan Wilson, vice-president, environment and external affairs, and David Miller, senior adviser to the executive. These are all people with whom most of us are familiar, in a variety of capacities.

Welcome to the committee today. We're happy to have you here and we look forward to the information you will provide committee members.

Mr. Gooch, I will invite you to make an opening statement of up to five minutes, please.

Mr. Daniel-Robert Gooch (President and Chief Executive Officer, Association of Canadian Port Authorities): Good morning.

Thank you for requesting our appearance today on your study of the status of shipping containers in Canada.

[*Translation*]

My name is Daniel Robert Gooch, president of the Association of Canadian Port Authorities, and I am joined by Debbie Murray, senior director with the association, Policy and Regulatory Affairs.

We represent the 17 Canada port authorities that move most of Canada's international cargo and operate at arm's length of government to manage federal port lands. The rail companies, trucking companies, vessel owners and operators and terminals are key partners for ports within the supply chain.

[*English*]

Containers revolutionized shipping when they were introduced over 70 years ago and have become the standard multi-purpose mechanism for transporting goods and commodities from hinterland to port to vessel/multimodal.

Given the centrality of containers to shipping, when there are broader system impacts and trends to shipping, this can have significant impacts on container movements and availability. COVID-19, geopolitical issues and labour challenges are examples of factors that have caused challenges with container supply.

● (1110)

We have all heard stories of containers delayed or a shortage of containers. With the increased use of containers for grain and other formerly bulk exports, container shortages now also affect Canada's exports.

In Canada, container movements are dependent on rail and truck movements, and the intermodal connection with vessels at Canadian ports, where backhauls of both filled and empties ensure continued movement of containers to destinations for loading and unloading.

We are hearing from our members that intermodal capacity in supply chains remains under pressure, particularly for containerized cargo. While Canadian ports are not experiencing as much congestion as those in the U.S., average wait times have increased and there is a domino effect. Many importers have been delayed in taking possession of their goods.

Similarly, storage and floor space for containers is scarce. As a result, the railroads have been forced to prioritize less congested corridors. For example, the Port of Montreal tells us it has had to deal with a backlog of containers on the ground, sometimes with an average dwell time of up to 40 days. The port became an open-air warehouse, with almost 12,000 containers at one point.

You will hear from Port of Vancouver about the increasing number of vessels that have had longer waits at anchorage because of container movement or availability delays.

What can be done to relieve pressure and build a responsive, safe, secure and reliable supply chain, and ensure that container supply and movement continues to be reliable in the years ahead? The national supply chain task force report, released earlier this month, yielded many excellent recommendations that could address container movements, including immediate regulatory and policy changes to address congestion and inefficiency; digitalization and supply chain visibility; support for enhanced port financial flexibility; and a long-term, future-proof transportation supply chain strategy.

Our country needs such a strategy, one that incorporates a multi-stakeholder approach to ensuring that current and future capacity and reliability are there for Canada, and one that factors in climate change and other shocks to the system. We understand that the development of a national strategy is part of Minister Alghabra's mandate, and so we look forward to understanding more about the government's plans in developing this strategy.

A key part of it must be supply chain visibility: knowing where the goods and containers are and where the bottlenecks and available capacity are. This visibility relies on digitalization and data governance. We have the tools and the data, which we see as our ports' and industry players' pilot digitalization and visibility initiatives. We also look forward to understanding more about the $136-million federal digitalization initiative announced last Friday.

For ports specifically, there are elements we are hoping to see in Minister Alghabra's coming work on ports modernization and amendments to the Canada Marine Act to allow Canadian port authorities to more nimbly fulfill their role within supply chains.

Financial flexibility, through the ability to access interested private capital to build port projects and invest in optimization, is key, as is permanent national trade corridor funding. The ability of ports to purchase land off-site for the establishment of secondary sites for the movement of containers would also enhance local and regional efficiency, and accelerated port projects through the impact assessment process would also assist the development of physical supply chain infrastructure.

There is other low-hanging fruit that could help. The United States allows for en route customs clearance of containers, which allows containers to be moved into the U.S. prior to their formal release. Canada does not have the same practice. Harmonizing with the United States on this could facilitate movement.

Canada Border Services Agency's sub-location container policy could also be updated to allow for containers to be moved to another location for clearance from their initial point of unloading.

Containers will continue to be used to move manufactured goods into the country and move commodities out of Canada's ports. We have an opportunity with all the focus and collective thinking aimed at supply chains and container movements today to ensure that this continues in a reliable, innovative, safe and secure manner for decades to come.

Thank you.

The Chair: Thank you very much, Mr. Gooch.

Next is Mr. MacDonald, please.

Mr. Doug MacDonald (Chief Marketing Officer, Canadian National Railway Company): Thank you.

[*Translation*]

Good morning, everyone.

Thank you for allowing the Canadian National Railway Company, CN, to contribute to the committee and provide information on what has impacted the 2022 supply chains in Canada, as well as some potential next steps that would benefit all participants who move goods in and out of Canada.

● (1115)

[*English*]

CN is a major contributor to the import and export of goods for Canada. In 2021, CN moved over 5.7 million shipments of freight across its network, with over 30% of that being import or export business. Primary commodities moved for export are grain, coal, potash, propane, pulp, ore concentrates and many more. Imports are more concentrated around containers filled with retail merchandise.

These supply chains are normally in balance and follow a low-inventory model whereby products are moved close to a just-in-time model. With the beginning of COVID, these supply chains experienced significant disruptions in demand that caused many peaks and valleys for supply. The supply chain challenges really accelerated in late spring of 2022. Consumer demand was going strong and retail stores ordered substantial inventory to avoid the stock-outs that had occurred the prior winter. This led to a dramatic increase in imported containers, which flooded the west coast ports. These containers then moved inland to intermodal terminals for final delivery by truck. These imports quickly filled warehouse space in Montreal and Toronto while waiting for the peak sales season in the fall. The imports soon backed up when storage filled, so retail stores left the containers in terminals, which then backed up the containers at the ports, followed by ships waiting to unload at full terminals.

With the fragmented supply chain, there was no one source of information that was occurring so that participants in the supply chain could plan and react in a timely manner.

What did CN do? First of all, I would like to highlight the role that Transport Canada played in bringing all the participants together to find solutions. CN led the charge in finding solutions where none were offered. We quickly implemented additional capacity expansions at key terminals in Montreal and Toronto. CN opened additional third party container yard storage at multiple sites in Toronto. CN also quickly leased the shuttered Valleyfield intermodal terminal and reopened it to take in trains bound directly for Montreal.

These solutions released the pressure on port terminals, allowing volumes to move from the ports to inland terminals so that the end customers could pick them up and ports continued to receive shipments. All these solutions came at a cost: CN ran extra trains, added significant overtime to terminal employees and added resources in drivers and chassis where available.

The result of these actions had the container backlog in Montreal cleared by the end of August. We just closed the Valleyfield terminal, as the current volumes are at a level that CN's Montreal terminal can handle. For Toronto containers, CN was able to clean up almost the entire backlog prior to the end of September. To be clear, this is a CN-led solution to a non-rail supply chain issue.

There continue to be delays in the last-mile delivery of containers. Warehouses continue to be full. Customers continue to use containers as interim storage with the current warehouse situation. CN is continuing to work with customers to balance terminal and rail capacity, resulting in the timely pickup of containers so that there is space for new containers to come in, as well as taking in empties to go back to ports or to other loading points for exports.

As the saying goes, the supply chain is only as strong as the weakest link. Attention must be paid to the performance of all participants for the supply chain to function optimally. I will now highlight some areas for improvement on all supply chain participants.

The first step is better data coordination and integration for all members of the supply chain. For container imports, the supply chain needs to know details as soon as the container leaves the origin port on its way to a Canadian port. This information is currently transmitted to the CBSA for customs approval. This information would provide the ports with an ETA, the container's destination so that they can place it in the port facility for either rail or truck furtherance, a description of the contents and weight for proper positioning in the train, and any preparation needed for final pickup and delivery from the inland terminal. Currently, none of this data is made available to supply chain partners.

CBSA also has older IT systems and processes that prohibit flexibility in the supply chain. While CBSA acknowledges the need and value, we are not aware of any progress on that front.

Additional infrastructure is also required. In order to handle more volume in the existing supply chains, capacity expansions must be undertaken. This includes port infrastructure, rail capacity and inland terminal capacity. If Canada wants to have spare capacity available on short-term notification, then the government will need to focus on funding this type of infrastructure. The NTCF program is a good solution for this. It needs to be fully funded and used for this infrastructure.

Canada also has one of the longest timelines to approve infrastructure investment, making it impossible to quickly adapt to a changing supply chain. In order for Canada to expand in trade, the government needs to streamline the process for infrastructure investment in Canada. By way of example, it took CN over seven years to get its Milton intermodal terminal approved. These delays threaten the agility of the supply chain to respond to emerging issues or crises.

Regulation in Canada continues to slow down or stifle investment decisions as well. Canada's national transportation policy provides that 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. I submit that regulation has departed from that guidance and needlessly interfered with market forces that would deliver better results for the market participants and the global economy. If the need to regulate exists, it must be based on hard evidence and tailored to address real issues, rather than issues presented through a perspective of certain market participants. Uncertainties and lack of evidence-based regulation create uncertainties that deter investments in Canada versus other countries with a consistent policy agenda.

Last, the government needs to promote further automation of the supply chain while considering the ESG impacts of those changes. All supply chain participants will continue to automate while reducing the impact on the environment. The government can help in these areas by funding innovations that provide the largest impact for all Canadians. This would all need to be done with a solid implementation plan with safety embedded in every area.

Thank you.

● (1120)

The Chair: Thank you, Mr. MacDonald.

Next we have Mr. Dekovic, please, for five minutes.

Mr. Marko Dekovic (Vice-President, Public Affairs, GCT Global Container Terminals Inc.): Good morning, Madam Chair and members of the committee.

Thank you for the invitation to be with you today as you continue your important study.

My name is Marko Dekovic, and I'm the vice-president of public affairs at GCT Global Container Terminals.

I am speaking to you today from the traditional and treaty territories of the Coast Salish people in British Columbia.

GCT is headquartered in Vancouver and operates two container terminals: GCT Vanterm, with a capacity of about 850,000 TEUs, located in Burrard Inlet in downtown Vancouver; and GCT Deltaport at Roberts Bank near the city of Delta, with a current capacity of 2.4 million TEUs. It is currently Canada's largest container terminal, but the Prince Rupert Fairview terminal is quickly catching up. We are tenants of the Vancouver Fraser Port Authority and direct employers and infrastructure investors where Canada's rail network meets tidewater.

GCT is a majority Canadian-owned company with three institutional investor shareholders: the Ontario Teachers' Pension Plan, British Columbia Investment Management Corporation and IFM Investors. Our active experience in this sector uniquely positions us to provide input to the committee related to your current study.

First we have to reflect on the causes of the supply chain challenges. The effects of the pandemic and climate change on the global supply chain in the last years have brought a series of major disruptions to the overall network. Canada was not immune. We have seen them materialize in manufacturing, trucking, raw materials, supply, inland storage, and distribution. Moreover, the extreme weather in B.C., namely the devastating floods and forests fires, furthered the problems, with the closing of the rail lines resulting in backups of cargo ships at anchorages in the Port of Vancouver.

At present, from our perspective, the railways have been utilizing capacity at our Vancouver intermodal terminals to truck in imports from the ports to help ease the congestion. In recent months, we have also seen a more fluid network with daily rail car supply being more consistent, even though outbound trains have been restricted at times by congestion and capacity issues in Toronto and Montreal warehouses, as you have just heard from CN before me.

However, increased rail surge capacity is urgently needed in order to support restoration of Canada's supply chain fluidity. CN and CP are the only two railways that move container trains into and out of metro Vancouver. It is important to consider in your study that approximately 35% of all inbound containers entering Canada's west coast ports hold discretionary cargo headed for the U.S. by rail. This means that importers and shipping lines, at their discretion, can redirect containers through other ports on Canadian or U.S. west or east coasts depending on variables such as price differentials, rail dwell times, reliability of rail and terminal services and even port authority fees.

It is also important to note that about 70% of containers that arrive at our GCT Deltaport terminal are rail-bound. If containers are not being evacuated at an appropriate rate by rail, the container dwell time will increase. Terminals will be congested, and soon enough, vessels calling those terminals will back up at anchorages. No matter how many container terminals or operators you have, if the rail supply is not keeping up with the demand, the system will congest.

This leads me to my next point.

It has been suggested by the Vancouver Fraser Port Authority that container terminal capacity has been a contributing factor to supply chain challenges and that a proposed Roberts Bank terminal 2 will somehow solve them. That is not the case, as it will be connected to exactly the same rail lines as the existing terminals. The west coast container terminal capacity has not been a contributing factor to supply chain challenges. In fact, Canada has container terminal capacity available to meet current and future demands well into the 2030s.

At GCT, we're doing our part as a private operator, optimizing and investing in infrastructure to support our customers' needs. In 2018, GCT invested $300 million in the semi-automated intermodal rail yard densification project, which has provided superb rail cargo surge capacity at the recent times when it was most needed.

When it comes to solutions, it is all about surge capacity and collaboration; there is no single solution to this problem. The government has a role in facilitating the collaboration that ultimately must be executed by supply chain partners through experience and commercial relationships. It must include a holistic approach and consider inland container storage, inland warehousing, and flex capacity that will make the supply chain more resilient and fluid when the next natural disaster, hard winter, pandemic or blockade hits. The recent supply chain task force report has identified some good recommendations for immediate actions in this regard.

● (1125)

GCT strongly supports efforts being made by our rail supply chain partners toward capacity increases and resiliency upgrades. GCT knows that improvements to Canada's rail system will improve the movement of Canada's trade domestically and to key U.S. and international markets.

Thank you again for the invitation to appear today. I look forward to questions.

The Chair: Thank you very much.

Mr. Wilson, go ahead for five minutes, please.

Mr. Duncan Wilson (Vice-President, Environment and External Affairs, Vancouver Fraser Port Authority): Thank you, Madam Chair.

Good morning. My name is Duncan Wilson, and I am vice-president of environment and external affairs with the Vancouver Fraser Port Authority. I am joined by my colleague David Miller, senior adviser to the executive.

We are pleased to be here today to discuss issues related to the impact of container traffic on Canadian trade, which is central to the business and success of the port of Vancouver.

The port of Vancouver is Canada's largest port, handling $275 billion worth of cargo annually. A wide range of products and commodities move through our 29 major marine cargo terminals. We are extremely proud of our environmental record, and are focused on achieving our goal for the port of Vancouver to be the world's most sustainable port.

The port currently has four container terminals in operation, and we are optimistic that we will soon get approval to move forward with the construction of a fifth terminal located in the key Roberts Bank area.

Our container business has grown rapidly over the past decade, reaching 3.7 million TEUs in 2021. While we did see a decline of 7% mid-year in 2022, that was largely attributable to COVID-related lockdowns in China and impacts from the extreme weather events in late 2021, which washed out roads and rail networks east of the port for two weeks. This slowed and disrupted traffic for months, well into 2022. That was then followed by terminals in Ontario and Quebec not having space to receive the containers, which stranded containers in the port and on board ships.

Our container business is vital for importers and exporters across the country. The public has learned a good deal about supply chains in the past few years, and now know that a wide range of consumer products, parts, and components for manufacturing travel to Canada by container.

The export business is less well known, but extremely important for Canada. Canadian exporters in many sectors move their products to market in containers. This includes products which traditionally moved in bulk or break bulk, such as forest products, and some agricultural products, such as pulses and specialty crops. In addition, food products such as meat, fish, and shellfish move in refrigerated containers.

As I mentioned, extreme weather challenges impacted container traffic in 2021 and carried over into 2022. Container ships normally move on set routes on predictable schedules. Pre-COVID, it was rare to see container ships at anchor at the port. They arrived on schedule and went directly to a terminal to unload and load. However, COVID and particularly lockdowns in China have disrupted schedules, led to backups, and made schedules less predictable. In Canada, this has meant congestion at container terminals and congestion at rail terminals and warehouses in eastern Canada.

I was just in Asia with other members of our executive, meeting with some of the steamship lines that serve our port. What we heard was consistent with what we have been hearing for some time: They need more capacity and would like to have more options in terminal operators.

This message reinforced the importance of increasing terminal capacity at the port, and that requires getting our new Roberts Bank terminal 2 project approved and built.

We are currently completing an expansion of the Centerm terminal in Burrard Inlet. That expansion, which increases the terminal's capacity by 60% while only increasing the footprint of the terminal by 15%, will be virtually sold out when it opens at the end of this year. This is something that was reinforced in our meetings with shipping lines in this most recent trip.

The new RBT2 container terminal will be located at Roberts Bank, an extremely strategic location for Canada, as it has no air draft or water draft restrictions. The new three-berth terminal will increase capacity at Roberts Bank in a phased manner and bring in a third operator, adding to DP World, which operates two terminals in Vancouver and Prince Rupert. GCT operates the other two terminals in Vancouver. To date, we have signed 21 mutual benefit agreements with first nations that are very supportive of the project.

In addition to added terminal capacity, we continue to move forward on a number of infrastructure projects that will remove bottlenecks and improve rail and truck access to the terminals. We have achieved significant benefit from numerous projects, partially funded under the national trade corridors fund and its predecessor. These included major road and rail projects along the corridor to Roberts Bank built in anticipation of Roberts Bank terminal 2.

We are also working with Transport Canada and our supply chain partners to develop transparency and reporting tools and processes that will help everyone in identifying problems and solutions.

In conclusion, I would emphasize that we are confident that container traffic through the port of Vancouver will continue to grow in the coming years and decades. We believe Canada's container sector, which includes the ports, the terminals, the trucking sector and the railways, has done a good job dealing with the disruptions and other challenges related to both the pandemic and the weather-related disruptions.

We are also proud of our record in ensuring that growth has not had, and will not have, a negative impact on the environment.

We appreciate the opportunity to appear today and we look forward to your questions.

● (1130)

The Chair: Thank you very much, Mr. Wilson.

We will go on to the members. We have Mr. Baldinelli for six minutes.

Mr. Tony Baldinelli: Thank you, Madam Chair.

Again, thank you and welcome to our witnesses this morning.

I'd like to thank our colleagues for undertaking this study. We all have a perspective of how it impacts the national economy. It was interesting.

A small business came in to me on Friday to discuss the challenges that they're facing with regard to getting their containers and the increased cost that is being placed on them because of the congestions and issues that they are facing. It's timely, and I thank the members for being here.

I'm probably going to follow up with Mr. MacDonald, first of all, because I'd like to relate some of the issues that my constituent has with her small business, which has been in operation for about 30 years. They're bringing in a container from Italy to the port of Montreal. It may be one container a week or it may be two or three if things are of benefit to them. They're seeing huge backlogs in Toronto, and storage fees and waiting time fees.

She wrote to me and related that just in June, because of the economy and gas prices, they were starting to see those invoices passed along to them, and that was fair enough, but then they were also starting to see in June and July that they were getting additional charges for wait times. Even though the company has agreements to be there and pick up their goods, they're being charged additional fees over and above their agreement if those companies have to wait. They're also being charged for returning empty containers that, for example, may go back to yards that have no place to put them, so the company then keeps them, and that joins these additional costs.

In fact, the business received an email in July saying, “...we ask that you suspend sending us orders until further notice. We need to clear up the current orders before we can accept any more.”

How does one do business like that? You're being asked to stop doing business, essentially.

We see these great delays. I was pleased to hear you say, Mr. MacDonald, that you've essentially cleared the Montreal backlog as of August, and you're talking about the current backlog in Toronto as almost being cleared. You talked about when you believe that will happen and what needs to occur.

Would the facility that's planned in Milton address your future operations by having those facilities and yards available, as opposed to having to immediately rent additional facilities?

Mr. Doug MacDonald: That's a great question. You're accurate on all your numbers.

Would Milton help? The answer is yes, absolutely. We have tried to get Milton up and running for the last seven years. It's finally under construction after basically eight years of going through the process of getting it approved. That would have easily helped out and given us the surge capacity to handle what's happening today.

At the same time, when Milton eventually fills up, because Canada will continue to import more, we will continue to need to expand, either in other terminals or by having other partners where we could put containers for that surge capacity.

All of the rail infrastructure, like most customers, is built around that just-in-time model. Containers come in and they go out. Customers used to not pick up their containers for two days or five days; now we're talking 30 days. That's because they don't have a warehouse to put them in. The containers stack up in the terminal quickly. That's why you're seeing increased fees. It's to try to encourage people to come and pull their containers out and get them out so that we can bring in more from the ports.

Surge capacity is critical, and we're going to need to continue to build that into the future.

● (1135)

Mr. Tony Baldinelli: In terms of the operations, are you also impacted by issues such as labour shortages or issues with the skilled trades?

The recommendations that were put forward recently.... We talk about increased digitization, but that's going to take some time. That doesn't immediately help my constituent, who's facing those backlogs and additional charges now.

How much longer is she expected to continue taking on these additional costs, and when can these backlogs be finally addressed?

Mr. Doug MacDonald: None of it was labour-related. It was all space-related. We had full staffing at the terminals. It's just a matter of being able to process all those containers through that terminal at that time and having customers come and pick them up.

We thought there was a shortage in trucking capacity, but it turns out the truckers didn't have warehouses to put them in. With the warehouses full, we couldn't get the trucks to come in to pull containers and take them out. It backlogged the entire system.

Mr. Tony Baldinelli: I will ask about the additional fees that were charged for the extra yards. I think under our briefing note, it was something like $300 for the CN yard in Mississauga. Is that directly billed to the transportation company, which then passes on the cost to the small business?

Mr. Doug MacDonald: It's whoever is coming to pick up the container. We don't even have the information. When that container comes in from one of the big steamship lines, it gets dropped in our terminal, and that's where our information stops. They contact the end receiver, who would be your constituent, to arrange to have it picked up. They make a reservation through their drayage company to come pick it up. We don't know who the container belongs to, what's in it and how long it's going to sit there.

Mr. Tony Baldinelli: In terms of cost, the excellent briefing note that was prepared by our staff says that rail freight generates about $10 billion in our economy. I was just wondering if anyone can put a figure on what these backlogs, these delays, have done to the Canadian economy in terms of cost.

Mr. Doug MacDonald: I cannot, because it would be more on the retail side. I don't think anyone's calculated it, to my knowledge.

The Chair: Thank you very much, Mr. Baldinelli.

We have Mr. Virani for six minutes, please.

Mr. Arif Virani (Parkdale—High Park, Lib.): Thank you very much, everyone, for your comments today.

I'll start with what a number of you referenced on the role of the federal government in convening conversations and bringing people together for collaboration. You referenced Minister Alghabra and Transport Canada and some of the work that's being done. Obviously, we know there was a national summit in January of this year on supply chain irritants.

I'll direct this first question to Monsieur Daniel-Robert Gooch. You mentioned the announcement that was just made on Friday about an expansion of that port at Trois-Rivières. My understanding is that the total cost is $130 million, and our government is putting $30 million into that expansion. They're hoping to create about 630 jobs and have that terminal open by the end of 2023.

Can you comment upon initiatives like that and what kinds of impacts they will have in Quebec's ecosystem in terms of alleviating pressure on the port of Montreal in particular?

Mr. Daniel-Robert Gooch: I can speak in general terms.

The national trade corridors fund has provided nearly a billion dollars to Canada's port authorities. That's been essential. I come from the air sector, where our infrastructure is set out quite differently, but the way the port authorities are structured means they have strict borrowing limits, so their ability to make those investments themselves is quite limited. The national trade corridors fund has really filled in the gaps there.

More could be done. Canadian port authorities are currently barred from many federal funding programs that are out there, such as regional economic development program funds. I'd say the NTCF has been fantastic.

You referenced a lot of the work that's been done and is under way, such as the summit and the task force. I think what that adds to the picture is an umbrella over that. What I said at the beginning is that it's a very good beginning for looking at our trade corridors from a strategic perspective. Funding is part of it, but I think the work we've seen over the last year with the task force is a really good beginning to what we need to do next.

Mr. Arif Virani: Thank you.

I'm going to direct the next question to Mr. Wilson, but it also dovetails with something Mr. Gooch raised, which is climate and climate impacts.

I salute you guys for the work you are doing in Vancouver and the efforts to make sure it's the most sustainable port in the world, as well as your efforts with inclusion of indigenous peoples on the land. That's all very commendable.

Can you talk to us a bit about the impacts? You talked about roads being washed out, etc. We know about the intense flooding that happened in B.C. I feel like within the last year, time is blurring it a little bit. Can you talk to us about climate impacts on the supply chain and how we can work as a government to alleviate them?

We're trying to make investments. We obviously have a price on pollution. These are significant gestures we're making towards addressing the impacts of climate change, but are there other targeted approaches you think would be necessary to help address the supply chain issues?

It's over to you, Mr. Wilson.

● (1140)

Mr. Duncan Wilson: Thank you.

There are some short-term and some longer-term implications. Obviously, extreme weather events will continue to happen. To the extent that infrastructure can be hardened and resilience can be built into the network, that's critical. The railways actually did an incredible job of restoring their infrastructure after the floods last year. I don't think any of us expected them to be able to get into operation as quickly as they did after that major damage.

From a longer-term point of view, obviously ports are at sea level and will be affected by storm surges and a rise in sea level. Over time, investment in hardening or raising the level of marine terminals is going to be important to protect them against those extreme weather events.

Last year the weather events didn't affect the port itself. The port, all the way through the pandemic and all the way through the weather events, was actually very resilient. It was the inland supply chain where things really broke down.

I would say the other thing that is critical, whether in the Lower Mainland of British Columbia or in the metro Toronto region, is land. We have a tremendous shortage of trade-enabling land. There is no surge capacity. We had to actually take, in partnership with Transport Canada, a marine terminal site that we're holding for development of a marine terminal and repurpose it on a temporary basis to take extra containers in order to get containers off the terminal, because there was nowhere to put them.

Marine container terminals shouldn't be used as container storage. Obviously, that's prime real estate that we need for trade. We do need that surge capacity, both to protect against climate events and to protect against other unforeseen supply chain shocks that will continue to occur in the future.

Mr. Arif Virani: Thank you.

I believe I have about a minute left. I will direct a question to Mr. Dekovic.

You talked about other irritants to the supply chain. I believe you mentioned preparing for unforeseen events, such as blockades. Can you comment on the impacts that the blockades we saw last January, February and March had on the supply chains around Canada?

Mr. Marko Dekovic: Of course, as I mentioned, our terminals are connected to the rail lines. If the rail lines are blockaded, after a significant amount of time, as you heard, everything backs up onto terminals. Terminals are not intended to be warehouses. That's where supply chain challenges occur.

I believe it is four or six days of rail shutdowns that instantly can compound the challenges in the supply chain. There is existing capacity of probably about three to four days in terminals to absorb rail shutdowns. After that, you will start feeling it in the supply chain. If that occurs again for a longer period of time, we will probably have the same results.

The Chair: Thank you very much.

We move now to Mr. Savard-Tremblay.

[*Translation*]

Mr. Simon-Pierre Savard-Tremblay (Saint-Hyacinthe—Bagot, BQ): I want to greet the witnesses and thank them for their presence and their presentations. I also thank all of my colleagues, whom I also greet.

My question is not addressed to anyone in particular. I invite anyone who feels able to answer it to do so.

At the last meeting of the committee, about a week and a half ago, a witness pointed out that some shipping companies were significantly increasing the cost of shipping containers to Canada. For example, as of October 6, 2022, the cost of shipping a 40-foot cargo container from Shanghai to Seattle was $2,015, while the cost of shipping a similar container from Shanghai to Vancouver was $7,000.

That's a rather wide spread. Have such cost increases also been seen in eastern Canada?

Mr. Daniel-Robert Gooch: Unfortunately, I cannot answer the question. I do not have the necessary information.

Mr. Simon-Pierre Savard-Tremblay: Can anyone else respond?

[*English*]

Mr. Duncan Wilson: I can speak to it in the context of the west coast, but I can't speak to it in the context of the east coast.

We have seen, through the pandemic and continuing through the surge we've seen, significant increases in shipping rates for containers coming into North America, including Vancouver and the west coast of Canada. During that period of time, there was also a strong desire on the part of shipping lines to pull empty containers back to Asia as quickly as possible, which created the issue of having a shortage of empties for export.

We're now starting to see that situation reverse itself as we're seeing rates for freight coming to North America declining and more containers being available for export.

Hopefully it was a short-term problem. We are starting to see rates normalize. We are seeing demands sort of petering off. I'm not sure if it is the same situation on the east coast, but on the west coast that's what is occurring.

● (1145)

[*Translation*]

Mr. Simon-Pierre Savard-Tremblay: So you've seen an undeniable increase in your area, in the west of the country, and presumably the circumstances are not particularly different between the east and west coasts.

You said you hoped it was only temporary. Do you think anything can be done about this increase?

[*English*]

Mr. Duncan Wilson: Ultimately it's a market-driven system, so the market will set the price. With that huge demand, that was unprecedented. If you imagine that demand continuing into the future, the market would respond and there would be more shipping capacity available and you'd probably see prices normalize.

In terms of government intervening in that market mechanism, I think it's an area where we should be very cautious. In particular, I notice that in the United States they took some unprecedented steps. I would say that if we're looking to do any of those types of interventions, it would be very wise to look at harmonizing with the United States.

[*Translation*]

Mr. Simon-Pierre Savard-Tremblay: You say that measures have been adopted in the US. Have they had mixed results, beneficial or inconclusive? Can you tell us a little bit about that? We need to look at what's happening elsewhere to successfully counter these crises.

[*English*]

Mr. Duncan Wilson: I can't speak to the effectiveness of the measures in the United States. I would just say that market intervention should be the last resort, in our view, and that the market should naturally correct most of these situations over time, as we are now seeing with shipping rates coming down and an increase in the availability of export containers for Canadian exporters.

[*Translation*]

Mr. Simon-Pierre Savard-Tremblay: I don't know if other speakers want to add anything on the issue of costs. Should we get the government involved or let the market take its course?

[*English*]

Mr. Doug MacDonald: Thank you.

I always think it's best to let the market take its course. With that, there has to be oversight on how that impacts the overall economy.

I'll speak for what I do know, which is that overall on the west coast of the U.S., what they put in place had no impact whatsoever on the pricing model. It continued to be very high, over and above norms.

What we are told is that coming into the east coast also saw dramatic increases. They were not quite as high as on the west coast, but it also had a major impact on shippers coming into the coastal ports.

At the same time, I will confirm that rail—to bring it inland—works on long-term contracts, and our rates were all the same for that entire time period, and trucking rates were relatively the same, so all those rates were really going to the steamship lines.

[*Translation*]

Mr. Simon-Pierre Savard-Tremblay: So, if this experience is anything to go by, the policies adopted have been inconclusive. Finally, no one here is recommending intervention on the tariff issue. Rather, we should hope that the industries will come out of this with their heads held high.

Does that sum up your position well?

[*English*]

The Chair: Could we have a brief answer, please?

[*Translation*]

Mr. Simon-Pierre Savard-Tremblay: You can answer with yes or no.

[*English*]

Mr. Doug MacDonald: I believe you should continue to let the market dictate pricing.

[*Translation*]

Mr. Simon-Pierre Savard-Tremblay: Thank you.

[*English*]

The Chair: Thank you very much.

We will go to Mr. Masse for six minutes, please.

Mr. Brian Masse (Windsor West, NDP): Thank you, Madam Chair.

I have just a quick comment. I appreciate the comment to let the market take its course, but I also appreciate the fact that it often comes from people asking for public money because the market hasn't invested in itself over a number of different decades and is having record profits. If the market is supposed to correct itself, then maybe it can correct itself without public money for a change.

I do want to move towards the issue over just-in-time delivery and start with Mr. MacDonald. Mr. Dekovic, you mentioned it as well. This is something similar to what my friend and colleague Mr. Carrie will be familiar with.

When the auto industry moved to just-in-time delivery, what ended up happening is that we basically moved the warehouses that used to store the parts and supplies off the site of the assembly plants and off the site of warehouses onto city streets and highways, and you're indicating they're now in your yards.

Maybe you can highlight this. I don't think enough people are aware of how that situation has evolved and how difficult it is.

• (1150)

Mr. Doug MacDonald: Just-in-time delivery doesn't allow for any hiccups in the supply chain, so it's a great question.

Just-in-time delivery means that everything has to work perfectly or else something backs up, or else there has to be some capacity in the supply chain.

I'll say there is a little bit of fudge or capacity in all areas of the supply chain right now. We've added tremendously on the rail side and there are extra warehouses being built, and the ports have actually done a great job in trying to find extra places to put containers coming in. However, as soon as there is a bubble in the supply chain, it does create major problems, and that's what we've witnessed.

Mr. Brian Masse: Mr. Dekovic, can you comment or add to that? I'll then return to Mr. MacDonald, who can think about it, because I want to see....

Are those costs being passed on to the OEMs—those originally supplying and sending it in—or are they being passed down to the other end of the supply chain, including the small and medium-sized businesses that are sometimes sharing containers? What's happening with that?

That's often the auto industry, which is tier one. Tiers two and three end up getting the costs from the OEMs passed on to them, and that's a challenge.

Please go ahead, Mr. Dekovic.

Mr. Marko Dekovic: Thank you.

From a container terminal perspective, I echo what's been said. We've seen a move from just-in-time delivery to just-in-case delivery. That mind shift has further exacerbated the challenge in the supply chain, with over-ordering congesting the warehouses, etc., which you heard about from other presenters today. That shift from just-in-time to just-in-case has caused an issue.

Furthermore, and as CN mentioned, as a terminal operator, we operate on long-term contracts. Our lift rates during these dynamic times in the supply chain have basically remained the same because of these long-term contracts. To illustrate how the market is correcting itself, I encourage you to look at the Drewry composite world index on containers. It tracks the index price of a container coming from Asia to the west coast of North America and back. A year ago, that index was just over $11,000. Right now, it's below $4,000 or somewhere in the mid-$3,000 range. You can see how massively this corrected itself, very quickly, due to market demands.

My assumption is that when the costs were high, some of those costs were ultimately passed on to the shipper and end-user, but, again, all those arrangements are usually commercial arrangements, so there are probably exceptions to every rule.

Hopefully, that helps answer your question.

Mr. Brian Masse: That's excellent.

Mr. MacDonald, where does the bump in the price go up? Is it at the front end or later on in the second part of it? I'm sure you're having to deal with occupied space on your property and logistical issues.

Mr. Doug MacDonald: The railways have very little opportunity to change a long-term pricing model. What we have the ability to do is change anything that happens outside the norm—extra storage and things like that. This is why the storage fees went up: to encourage customers to remove containers from the terminal.

To answer your other question, it's usually the small guy who gets hurt the most, because it's a contractual arrangement. I understand that, but usually the big guy dictates what the contractual arrangements are. Retail customers were paying for the storage in Toronto because the CN shipping lines won't. That was the contractual arrangement they had with them.

With respect to the OEMs and parts suppliers, the OEMs are the big dogs. The parts guys end up eating everything until it gets inside the gate.

Mr. Brian Masse: This is a common theme we're hearing. I appreciate it.

Mr. Gooch, I know you're ineligible for some government programs and funding, but ports.... The only concern I would have.... I am open to the discussion about that accessibility, but you are also exempt from municipal bylaws and planning, to some degree.

Is that something ports would reconsider? I could see considerable conflict. Most ports operate fairly well with the municipalities, but there are, at times, conflicts with regard to what takes place. Is that something the port authorities would be willing to reconsider, if there were a change in access to public funds?

Mr. Daniel-Robert Gooch: It's not something I've discussed with my members, but I would make a comparison with airport authorities, which are federal assets that operate at arm's length from government, and with locally responsive governance and a public interest mandate. Airport authorities are eligible for economic development funds, while port authorities are not.

As I said earlier, the port authorities have borrowing limits, which are time-consuming and difficult to change. It involves working with Transport Canada. It can take years. There may be opportunities for the ports to make their own investments based on the commercial viability of a project and credit-worthiness, but that's not an angle they have access to.

Really, we're looking for more tools that allow port authorities to be nimbler in making the investments they want to make. Federal funding is just one of those tools. Without changing the structure....

We do hope to see greater flexibility come into effect for ports through Minister Alghabra's upcoming port modernization legislation so federal funding is there to fill that gap.

● (1155)

The Chair: Thank you very much, Mr. Masse. Your time is up.

Mr. Martel, you have five minutes, please.

[*Translation*]

Mr. Richard Martel (Chicoutimi—Le Fjord, CPC): Thank you, Mr. Chair.

I thank the witnesses for being with us today.

Mr. Gooch, according to the United Nations Conference on Trade and Development Maritime Transport Study 2021, a return to normalcy will require investment in infrastructure, freight transport technology and digitization.

What infrastructure do you think Canada is missing to improve this supply chain?

Mr. Daniel-Robert Gooch: I will answer in English.

[*English*]

I think I spoke to a bit of it just moments ago in terms of the flexibility that ports have to invest in their infrastructure. There's physical infrastructure, but there's also the digital infrastructure.

Perhaps I'll turn to my colleague Debbie Murray to speak to that in a little more detail.

Ms. Debbie Murray (Senior Director, Policy and Regulatory Affairs, Association of Canadian Port Authorities): Thank you for your question.

With regard to the anticipated demands on our infrastructure, one comment we've made repeatedly to the government is that there needs to be a determination and a systematic assessment of infrastructure across Canada.

Many of our port authorities, as Mr. Gooch has alluded to, have benefited from NTC funds, in the order of almost $1 billion. Many of these projects have actually addressed many of the infrastructure gaps, but to my point about a systematic assessment, I think that would identify not just the port requirements but also the requirements along the entire supply chain. Also, with that first systematic assessment, that could be folded into the transportation strategy that the supply chain task force alluded to.

I can also speak with regard to digitalization and the comment Mr. Gooch made with regard to the physical infrastructure. Specifically, there is an ongoing concern around deferred maintenance. Many of the port authorities have not had the funds to continue the maintenance of their ports; we've seen some instances of wharves deteriorating due to climate change, and they don't have the funds right now to improve their current infrastructure.

Then, on an ongoing basis, with the digitalization, we still need to determine specifically what the costs would be and what the technology would be. I do understand that Infrastructure Canada has conducted an infrastructure assessment, and that may also provide some information in terms of some of the gaps. We also are looking at potentially conducting our own infrastructure assessment moving forward, just to consider some of the recommendations put forward by the task force.

[*Translation*]

Mr. Richard Martel: Thank you.

Mr. MacDonald, could you answer the same question and tell us, in your opinion, what infrastructure is missing in Canada to improve this supply chain?

[*English*]

Mr. Doug MacDonald: Digitalization is a great answer: You need digitalization to be able to automate. One of the few things that will really help is further automation within the entire supply chain, and that goes from the ports to the railways to the trucking industry. As that happens, you'll get rid of a lot of downtime, I'll say, in the different areas and be able to move more freight, and more issues for customers will get through the supply chain a lot quicker.

The other thing is that you still are going to need surge capacity in the longer term, because markets are never flat all the time. That's going to require infrastructure either at port or inland. Technically, when we went through the issue with Transport Canada, the customers asked for inland storage more than anything else. That's something that's lacking right now in the industry, and we have to look at how we make it available.

● (1200)

[*Translation*]

Mr. Richard Martel: Mr. MacDonald, according to a July 2022 Financial Post article, Maersk recently warned its customers that heavy congestion in Toronto was forcing CN to regulate freight traffic from Prince Rupert, B.C., to Toronto to prevent congestion at its facilities.

What impact have the delays had on the ability of Canadian companies to import inputs?

[*English*]

Mr. Doug MacDonald: We've been trying to add the inputs. A great example is in Toronto itself. We did have to constrain because the terminal was absolutely full. If we didn't do that, then we'd shut down. We've been trying to get a second terminal up in Toronto at Milton for eight years now.

That goes back to my comments around how quickly we can get infrastructure put into this country. The regulations that go into it have made it very tough. I think we would have had the ability to buffer that supply chain dramatically more by having Milton up and running. Only time will tell as we get that up and running in the next two to three years.

The Chair: Thank you very much, Mr. Martel.

We'll go on to Mr. Miao for five minutes, please.

Mr. Wilson Miao (Richmond Centre, Lib.): Thank you, Madame Chair, and thank you to all of the witnesses attending this study today.

I would like to direct my question to Mr. Wilson. I had the pleasure of meeting him a couple of months ago and did a tour at the Vancouver Fraser port at the Burrard Inlet.

Can you give us an idea of how this pandemic has affected our ports in Vancouver in the number of containers coming in? What is the time spent from anchorage to port, off-loading to a truck or onto a railcar and delivering its logistics across Canada?

Mr. Duncan Wilson: Fortunately, the time spent is decreasing quickly, but we were seeing situations of multiple container ships at anchor for long periods of time. We measure the dwell of containers on the terminal. The terminal dwell has been continuing to come down steadily. I think it's now at about four days.

What needs to be emphasized here is that this was a big learning for all of us in terms of how resilient or not the Canadian supply chain has been and where we need to make improvements in the future to protect ourselves against this. As my colleagues have noted, we need to have some surge capacity available in different places in order to be able to address it.

I would just point to the recent task force recommendations. One principal recommendation was the need for a national transportation strategy. There have been questions about where and what the infrastructure should be. We really need to map that out. The learnings from these last couple of years will put us in a strong position to inform the development of that kind of strategy to figure out exactly where and how we need to make those investments.

Unfortunately, in terms of this question about the longest dwell, I don't know. It was many weeks for sure, but we're down to about four days in terminal now.

Mr. Wilson Miao: Thank you.

I remember that during my visit, you did mention about a constraint on trucks that come into port. They are required to leave the port by a certain time before a fee is charged. What other fees are applicable, depending on how long the container is being stored?

Earlier you mentioned about the prime real estate, especially with most of the ports in the west coast located in urban areas. What is the challenge you see in transporting these containers to a temporary storage site before being sent out?

● (1205)

Mr. Duncan Wilson: First of all, yes, in terms of the trucking side of things, we do charge. We try to incentivize on-time performance. Truckers can pay for being late and terminals can pay for not getting the trucks through in a quick enough time to the terminal.

For example, right now I'm just looking at the turn times inside the terminals in Vancouver. Three of the terminals are turning at about 40 minutes, which is great. Deltaport actually looks like it's at about 18 minutes right now, which is a really quick turnaround. Things are moving really well on that side of things.

In terms of fees, basically demurrage works as was described by my colleagues. It really depends on the contracts you have in place, but you do pay for a container sitting around for too long. You pay that in different locations. You may pay that on a container terminal or at an off-dock facility. It really depends on the nature of the contract that you have set up. It typically does disadvantage the smaller mom-and-pop shops—the smaller businesses—because they don't have the market power to be able to negotiate contracts that are more beneficial with respect to that. It can be very expensive.

I can't speak to how long the dwell time is in off-docks right now.

Mr. Wilson Miao: Thank you, Mr. Wilson.

The Chair: Thank you, Mr. Miao. You have 10 seconds left.

Mr. Wilson Miao: Mr. Dekovic, what are your suggestions to improve our rail line infrastructure as we are expanding in the Roberts Bank terminal 2?

The Chair: Can we have a brief answer, sir?

Mr. Marko Dekovic: I really can't comment on Roberts Bank terminal 2, other than to say that from our perspective, it is not the most effective solution for Canada's needs. On the rail infrastructure expansion, I think our colleague from CN Rail would be better to explain that.

The Chair: He'll have to try to do that through someone else's question.

Mr. Savard-Tremblay, please go ahead for two and a half minutes.

[*Translation*]

Mr. Simon-Pierre Savard-Tremblay: Thank you, Madam Chair.

My questions are probably addressed to the Association of Canadian Port Authorities and the Canadian National Railway Company.

Our attention was drawn to the continued congestion at the ports of Vancouver and Prince Rupert and the fact that import container downtime has forced CN to establish temporary container terminals in Toronto and Montreal.

What is the current situation at the Port of Montreal?

Mr. Daniel-Robert Gooch: Honestly, I'd rather have one of the Montreal representatives answer the question. I don't know enough about their business to answer for them.

[*English*]

Mr. Doug MacDonald: For the port of Montreal, we move out one freight train every day. Basically, it contains Toronto, Detroit, and Chicago freight.

I get a daily report that says where we are on container storage waiting to leave in the port of Montreal, so I'll say as of today, in the four terminals, we have two trains' worth of containers to move, which is about a normal situation. I can't see what's waiting there for Canadian Pacific and I can't see what's waiting there for trucks, but overall, we're in a very good situation and we have been all summer.

[*Translation*]

Mr. Simon-Pierre Savard-Tremblay: So, in general, the situation is good. Do you anticipate the opposite, i.e., an increase in congestion?

[*English*]

Mr. Doug MacDonald: We do not, from the port of Montreal, sir, not at all.

[*Translation*]

Mr. Simon-Pierre Savard-Tremblay: That's fine.

In your opinion, nothing is currently affecting the operations of the Port of Montreal with regard to the containers there. Is that correct?

[*English*]

Mr. Doug MacDonald: We do not at all, from the supply chain side. I know they've had lots of labour issues there over time in the different terminals, but they don't, once it's on a rail car or once it's out of the gate on a truck.

[*Translation*]

Mr. Simon-Pierre Savard-Tremblay: I thank you, and in that case, I can only rejoice.

[*English*]

The Chair: Thank you very much.

We go now to Mr. Masse for two and a half minutes.

Go ahead, please.

● (1210)

Mr. Brian Masse: Thank you, Madam Chair.

I know Mr. Wilson wanted in on the last question, but I do want to start with this.

I'm glad you're doing tours now. Ten years ago I went to Vancouver to tour your port, and when I showed that I was actually meeting with the CBSA union over the detector dogs, my invitation was rescinded. I actually toured your facility from the fenced perimeter. I'm curious, and I want to add to that what's happening with the detector dogs out there if there's anything you want to add on that. That's an issue I've been working on for a long time.

That was a long time ago, so I'm not saying you're at fault, but I saw your port virtually from the fence.

Mr. Duncan Wilson: I'm very disappointed that your invitation was declined after that.

I can't speak to the detector dogs, but I can tell you that we do work very closely with CBSA. We actually have two container inspection facilities in the Lower Mainland. We recently finished building a new inspection facility for CBSA on the Tsawwassen First Nation lands adjacent to the Deltaport complex, so there is a strong presence of CBSA in the port. There are also scanners at the different container terminals for containers that are coming into the country as well, so CBSA is very present. They're present in terminals and they're present in the inspection facilities.

Mr. Brian Masse: What I was out there for—and it was just a sensitive moment, I think, from the start—was that the detector dogs were being retired. They can clear off a ship within three hours versus it sometimes taking three weeks. That was the point—trying to keep those programs in place, and I know they're there.

Really quickly, again to Mr. MacDonald, what can we do with regard to a fairer process? The OEMs, as an example, cause stress down the supply chain on other small and medium-sized businesses. Are there any suggestions at all? I know it's not really your role, but you're kind of the operator in between the two. What can we do to alleviate the forces that pinch the small guy or girl?

Mr. Doug MacDonald: That's a tough one to answer, because it's all about commercial agreements between the big guy and the small guy. We're the guy in the middle who doesn't see either one, so I'd hate to say there's an easy solution there.

Mr. Brian Masse: Okay, fair enough. You just see it first-hand every day, I'm sure.

Thank you, Madam Chair.

The Chair: Thank you very much, Mr. Masse.

We have Mr. Seeback for five minutes.

Mr. Kyle Seeback: Thank you very much.

I have a lot of questions and very little time.

Mr. MacDonald, it seems to me you're saying the Milton facility was eight years in planning and three years to build, so it's eleven years in total.

Mr. Doug MacDonald: It was eight years getting it through the regulatory process, not planning.

Mr. Kyle Seeback: Yes, eight years for the regulatory process, and now another...how many years, do you think, until it's completed?

Mr. Doug MacDonald: Roughly three, as we would comply with the 300 different conditions put on the approval.

Mr. Kyle Seeback: I don't have time to get it on the record today, but would you be prepared, on behalf of your company, to submit a report on why it took eight years to go through the regulatory process?

Mr. Doug MacDonald: Absolutely.

Mr. Kyle Seeback: Thank you very much.

Mr. Gooch, you talked about en route clearances being available in the United States but not in Canada. What's the impediment here? Why hasn't it happened? It sounds like a big issue.

Mr. Daniel-Robert Gooch: That's one I'm definitely going to pass to Debbie Murray as the subject matter expert on that one.

Ms. Debbie Murray: Thank you.

My understanding—and this is something that's being brought forward by our members—is that currently there's an issue around policy. It's a policy limitation as well as a human resource limitation. It's a conversation we continue to have with CBSA.

Mr. Kyle Seeback: Do you know how long have you been having that conversation with CBSA?

Ms. Debbie Murray: Our organization? It hasn't been a long time, but I do know, since it was brought up by members, that it's been a while.

Mr. Kyle Seeback: Can you hazard a guess on how long the members have been raising this issue? Is it two years, five years?

Ms. Debbie Murray: It's a couple of years.

Mr. Kyle Seeback: Okay. Thanks very much.

You talked about financing challenges and your ability to raise your own capital for expansions. What are the specific impediments of the rules and regulations that are in place? If you could change them so you could have access to private capital and speed up projects, what would those be?

Mr. Daniel-Robert Gooch: Currently, what we have in place for the larger ports would be the borrowing limits. The airport authorities or a private business just doesn't deal with artificially set borrowing limits. What we would like to see is, ideally, a more flexible process whereby the ports would be able to go out and finance projects in the same way an airport authority or a private business would be able to.

We talk a lot about flexibility. It goes a bit beyond that. I was talking with one of our ports the other day, and I think his challenge is an interesting case study. They have the opportunity to expand within the confines of their current land, but to do that they need to move some things around. They need to move part of their cruise operation to another part of the harbour. It would have tremendous benefits for that part of the community. That traffic would revitalize businesses, shops and restaurants, and doing that would open up container terminal capacity. The borrowing limits mean that even though that project in its entirety may be commercially viable and able to provide a good financial return, they don't have the ability to go and borrow the funds required for it. Now they're looking for funding. With the national trade corridors fund, you can get funding for the container part of that project, but that's not where the costs are; the costs are on the cruise side. Maybe a regional economic development agency might be able to fill the gap there, but they're not eligible for those funds.

Will they figure it out? Of course they will. Our ports are innovative and will find a solution. However, an airport authority would not have the same challenges. It would be a very different situation.

● (1215)

Mr. Kyle Seeback: The best solution would be to allow you to borrow the money you need in order to finance these projects.

Mr. Daniel-Robert Gooch: What our ports are looking for are the tools to be able to do what makes the most sense. Debbie spoke to another side of the challenge. For those smaller ports that have lower revenues, it's more of a funding issue. For the national trade corridors fund, it may not be the best project. You may not be successful, for example, in getting funding to replace a dock. The revenues the port generates would not be sufficient to cover the costs associated with that project. It's something we see across Canada when it comes to transportation infrastructure in small communities.

Mr. Kyle Seeback: If the rules were changed, you wouldn't have to try to pigeonhole yourself into these various programs. You could have a whole-of-business approach.

Mr. Daniel-Robert Gooch: Correct.

Mr. Kyle Seeback: Okay.

How much time do I have?

The Chair: You have 30 seconds.

Mr. Kyle Seeback: What's the impediment to having surge capacity? I've heard that come up a whole bunch of times.

Mr. Doug MacDonald: On the rail side I'll say it's the fact that we don't have a business case for it. You don't have business attached to it.

Everything has a return on its investment. We don't have customers specifically asking for it until they need it. By then it's too late and it takes a long time to get it into place and it's a lot of money and there are a lot of rules we have to conform to.

The Chair: Thank you very much.

Mr. Sheehan, you have five minutes.

Mr. Terry Sheehan (Sault Ste. Marie, Lib.): Thank you very much to all of our presenters. Some of the questions that I was going to ask have already been answered, and I thank you for that.

I wanted to dive into the shortage of the shipping containers. In some of my reading, I saw that there was a shortage of containers, and there was a hope in 2021 that there would be a rebound and that there would be more shipping containers made in 2021. The stat that I saw was that it was only about 7% up from the year before.

I would like to ask any of the witnesses for an update on where the physical shipping container production is. We know a lot of it is produced in China. There have been suggestions by the witnesses that there are also attempts to monopolize on the containers, so through you, Chair, to our presenters, I would like to get an update.

Mr. Duncan Wilson: I can answer at least part of that question. I can't speak to the production of containers, but I can speak to the availability of containers.

What we saw is that when you're paying.... Your shipping line's earning $10,000 for the front-haul to North America, and you're only getting a tiny fraction of that for whatever cargo you're taking back from Canada. There's a huge financial incentive for you to get that container back to Asia as quickly as possible—or wherever it originated from—and fill it up for another front-haul cargo load.

There was a lot of discussion during the pandemic about whether there should be some policy change or something to try to keep more containers in Canada and force them for export. However, no matter how you look at it, the kinds of fees and punitive levies you'd need to get the shipping lines' attention in that kind of market dynamic would have been hugely destructive to trade in Canada. That's why we're very much in favour of always looking for a better market-based solution.

That said, hopefully that problem is now starting to be addressed and you will see greater availability of containers. I think it's probably less about the quantity—that global population of containers, if you will—and more about making those containers available to Canadian exporters.

● (1220)

Mr. Terry Sheehan: Marko, you were shaking your head throughout the comments. Would you like to add something?

Mr. Marko Dekovic: I think last year, the largest growth in exports from Canada was in air, because the empty containers were going back to Asia at rates—as you heard from Mr. Wilson—that were extremely beneficial to the ocean carriers. Of course, they were incentivized to bring those containers back and move them back. Those numbers are definitely coming down today, and have been over the recent months.

As I mentioned, with the extreme collapse in the rates, we're seeing a much lower volume of those empty exports leaving. It's still larger than in the past, but it's quickly adjusting to a new normal, so I think some of those availabilities that were an issue at the peak of the postpandemic supply chain challenges are going to right themselves.

Ultimately, if we project out, seeing the volumes and the rates declining.... As the rates decline, they are usually following a decline in volume. My suspicion is that next year, in Q1 and Q2, we're going to see a significant economic downturn. Some are already predicting that container volumes and rates are like the canary in the coal mine. Based on what we're seeing now, next year is going to be challenging when it comes to our economy.

Mr. Terry Sheehan: Thank you for that. It's very helpful.

My family is in the trucking business, and my friend had a trucking business as well. We always hate to see things going back empty. We'd like to fill it full of things and send it, so there's something that we have to think about on that one.

The other question I had is about the national trade corridor fund, which has significant dollars associated with it to help with the supply chains. Have any of the companies that have presented applied to it? If yes, where?

I know that the short-line rails are finally eligible under this particular program. That was one of the things that they were talking about in the last seven years. Short-line rails, such as Huron Central, are important in my neck of the woods. I know that in western Canada and Quebec, short-line rails are critical to getting this whole supply chain moving.

Has anyone applied? If so, for what particular areas?

The Chair: Can I get a brief response to that question?

Mr. Doug MacDonald: For the rails, very briefly, we've only started in the last couple of years, and you'll see us apply for capacity expansions in our network. That's key where we're doing it now, and you'll see more of that in the future.

Mr. Duncan Wilson: We've received $300 million in contribution funding towards about a billion dollars' worth of road and rail infrastructure in the Lower Mainland.

The Chair: Thank you very much.

Mr. Carrie, you have five minutes, please.

Mr. Colin Carrie: Thank you, Madam Chair.

I want to thank the witnesses for being here.

I come from Oshawa, where we do have a port, and it's wonderful to have that infrastructure there. I wanted to ask you a couple of questions, one focusing on how to increase capacity. The other question would be on border modernization. I think it was Mr. Gooch who talked about harmonization with the United States. I'd like to delve into that a bit more, but the first one is on the capacity.

Madam Murray, maybe that's a question for you. Friends of mine from out west mentioned to me that with the lack of pipeline capacity, oil and gas are now being loaded onto rail, and you mentioned the requirement to have a task force that would look at the infrastructure and how important the logistics are there.

If we were able to get a lot of that oil and gas off rail and put that into safe pipelines, has anybody looked at how much of a capacity increase we would get from that? For this task force you're recommending, would this be something that they would take into account?

Ms. Debbie Murray: I can't comment in terms of the capacity and the demand between pipeline and rail. I will say that I suspect rail will continue to move oil and gas.

With regard to your second question on the task force, I think it is something that they should potentially look at. It is part of the determination as to what sort of infrastructure we need nationally. I mean, it's critical, and not just the pipelines and the rail but the intermodal to ports: Tracking everything should definitely be assessed by the task force.

● (1225)

Mr. Colin Carrie: I have no numbers, but I've heard that if we could take off even a percentage of the amount of oil and gas going by rail, it would increase capacity.

You mentioned that you've asked repeatedly for this task force and this review. It just makes a lot of sense, especially now when we in Canada are being such aggressive traders around the world. What's the government saying and why is there the delay for the review of this request?

Ms. Debbie Murray: They are saying that they're conducting the assessment.

Mr. Colin Carrie: Yes, and that's not good, especially right now.

Mr. Masse and I both come from automotive areas. You mentioned the just-in-time delivery. I think it was Mr. Gooch who was mentioning harmonization with the United States. In 2011, we signed the Beyond the Border agreement, and I think we did talk about enhanced security and about mechanisms for enhanced trade.

You mentioned that the Americans have en route preclearance. Are we using things like radio frequency identification—RFID cards, for example—to the capacity that they should be used?

I see Mr. MacDonald shaking his head.

This is something that was kind of my file; I was working on it years ago. Have we progressed with that? Why are we so far behind? This is outrageous, because competitiveness is going to be such a huge issue moving forward.

Mr. Daniel-Robert Gooch: There are a couple of questions in there.

Just to add to my colleague's comment, I think that seeing the report of the supply chain task force and where they're sending us next in terms of that development of the national strategy is right where we should be, and we're very interested, at the Association of Canadian Port Authorities, to work on the development of that strategy and in the implementation of the recommendations in there.

You did speak to CBSA, and my colleague spoke to the regulatory and policy side, which I'm not as familiar with as she is. I will say that I joined ACPA in February, but I worked with CBSA for about 10 years before that. I've generally found them to be a very innovative agency that wants to do things such as more border modernization but often finds that resources are a constraint there.

We have examples of ports around the country that have opportunities to develop their trade and their business, but there are certain impediments. One of the impediments that's sometimes in place is the ability to have CBSA services at the port. The Port of Hamilton is a great example. The St. Lawrence Seaway and the Great Lakes, which make up a system here, are one of the greatest assets we have as a continent in terms of being able to use that to bring containers and shipments right into the Great Lakes and into our ports there.

We have ports at Windsor, HOPA, Toronto and Thunder Bay, but there are impediments in the way, and CBSA resources are one of them. They're aware of it and they're working to correct it, but I think those are the types of issues that we'd like to see a national strategy take a look at. That's going to require.... Not to dismiss the work of the supply chain task force, but it's probably going to take more than 100 days and a lot more work. It's why we're pleased to see that we're going in that direction.

The Chair: Thank you very much.

We have Mr. Arya for five minutes, please.

Mr. Chandra Arya (Nepean, Lib.): Thank you, Madam Chair.

Mr. MacDonald, recently I was reading about the autonomous truck testing that was being done in the U.S. between Dallas and Atlanta—day and night for five days, 6,300 miles in autonomous truck driving. I was wondering what impact it will have, first on the existing truck industry and then secondly on the rail companies, but we will come to that later.

I want to thank CN Rail for taking steps. I understand from what you said that all the backlog has been cleared now.

You did mention the seven- or eight-year regulatory process. Was it all a federally regulated process that took seven or eight years for the approval?

Mr. Doug MacDonald: It became an entire full five-year federal environmental review.

Mr. Chandra Arya: Okay. Is it something new that happened in the last five or 10 years?

Mr. Doug MacDonald: It's the only time in our history, I think, to my knowledge, that we've done that. It was a farmer's land that our company had actually owned for 10 to 15 years, and we were forced to go through that full process and then go through the courts for it as well.

Mr. Chandra Arya: In your opening remarks you mentioned about the weakest link. Obviously, anything is as strong as the weakest link. Did you say that the weakest link was CBSA with this legacy system? Can you expand on that “weakest link” remark?

● (1230)

Mr. Doug MacDonald: From a data standpoint, the CBSA is the one that has all the data, but they have—and I'm taking them at their word—antiquated IT systems. They are not able to pull the data out. They also have legislation, so they are not allowed to provide the data anyway.

We spend a lot of time trying to get information as to where all these containers are going so that maybe we can open up a new terminal somewhere to help alleviate the pressure, but to this day, three months later, I still cannot get that information from anybody in the supply chain on where it would be best to help alleviate future issues in the entire market.

Mr. Chandra Arya: Okay. You mentioned that 30% of your shipments are for international trade. Is that correct?

Mr. Doug MacDonald: That's right.

Mr. Chandra Arya: What is your market share?

Mr. Doug MacDonald: It all depends. It's by commodity, so if you look at the rail market share, you'll see that we're probably almost 60-40 with Canadian Pacific Railway, as an example. A lot of this moves by pipeline, so basically our percentage of the crude oil for export out of Canada is zero. You have to really look at it from a commodity-by-commodity standpoint.

Mr. Chandra Arya: You obviously know the rail companies outside Canada too. Is it something they too would experience, or is this unique to Canada?

Mr. Doug MacDonald: It is primarily in North America, because we're such a large consumer area. Europe actually did have some issues as well. They are a big consumption society, but they are also a lot closer, and they can also truck. They have a lot more rail, but a lot of it's served by water. They were able to perform a lot better than we were.

Mr. Chandra Arya: Is what we experienced in Canada similar to what happened in the U.S. too?

Mr. Doug MacDonald: We mimic the U.S. very well.

Mr. Chandra Arya: Do you think this sort of situation is going to come again? If yes, what is a specific thing the federal government can do?

Mr. Doug MacDonald: Will this happen again? The answer is probably yes.

Unless we're ready to put in the surge capacity and fix lots of the issues around the supply chain, with data as a priority, we're just setting ourselves up to see history repeat itself.

Mr. Chandra Arya: Since I have some time, can you comment on the impact that autonomous trucks or trailers can make in five or 10 years down the road on the trucking industry and on the rail companies?

Mr. Doug MacDonald: We're a small investor in one of them just so we can follow what they're doing. The answer is that today in the U.S., about 500 miles is the number. You can say 1,000 is a better number to use. One thousand miles says it should move by rail; anything under that should move by truck.

That's probably going to get extended by at least another 500 to 1,000 miles. What that's going to do is move a lot more intermodal freight back onto the road, which will be a taxing on the infrastructure, both in Canada and the U.S. I don't think any of us are set up for that.

Mr. Chandra Arya: Okay. You said you are also an investor in one of those companies. I guess that is in the U.S. Is that correct?

Mr. Doug MacDonald: That's right.

Mr. Chandra Arya: Is anything on that front being done in Canada?

Mr. Doug MacDonald: They haven't really got up to Canada as much. There's a little bit being done in Canada. The issue is they have a problem with winter right now, so they're testing in the southern United States to make sure the technology works, and then they're gradually going to move north.

Mr. Chandra Arya: The trailers are being tested in Ottawa. We have 16-kilometre roadways where these automotive technologies are being tested, especially because of the weather. That is the reason many companies, mostly passenger cars... A lot of the software for autonomous driving across the world is being developed in Ottawa.

It has—

[*Translation*]

Mr. Simon-Pierre Savard-Tremblay: Point of order, Madam Chair.

The interpreter cannot do her job because our colleague is talking too far from his microphone.

[*English*]

The Chair: Mr. Arya, when you are speaking, please speak closer to the microphone. The translators are having difficulty interpreting it.

Mr. Chandra Arya: How much time do I have?

The Chair: Your time is up.

It's imperative that the translators hear clearly and translate everything clearly.

Monsieur Savard-Tremblay, go ahead for two and a half minutes, please.

[*Translation*]

Mr. Simon-Pierre Savard-Tremblay: I have a very simple question: which sectors are affected by this crisis?

We've heard a lot about the grain sector, and I read somewhere that the lumber producers are starting to get worried too. Besides the grain sector, what other sectors are most at risk? Are there other sectors that we don't necessarily suspect are affected by this crisis?

● (1235)

[*English*]

Mr. Doug MacDonald: Is that with respect to containers or overall?

[*Translation*]

Mr. Simon-Pierre Savard-Tremblay: My question is related to the current crisis and the port congestion.

Are there other sectors that may be affected by this crisis?

[*English*]

Mr. Doug MacDonald: Really, it's anything around the container supply chain. What gets put in a container? It's a little bit of softwood lumber. It's not as much as it used to be. It's a lot smaller. Quite a bit of pulp still goes in; that's a large export through containers. Grains, by far, are the largest export, dramatically higher than everything else.

[*Translation*]

Mr. Simon-Pierre Savard-Tremblay: You are talking about pulp and paper. If containers are no longer the main mode of transport that wood producers use, where do their concerns come from?

[*English*]

Mr. Doug MacDonald: They do some, but a lot of it is by truck. They're not having such a large problem getting the containers. In Quebec in particular, almost all of that moves by truck to and from the plant to the port of Montreal and goes for export. The rest of it will either move by truck or by rail, usually going into the U.S. market, which they have tried to focus on.

[*Translation*]

Mr. Simon-Pierre Savard-Tremblay: Thank you, Mr. MacDonald.

My last question is for everyone.

At our last committee meeting, a week and a half ago, we had a witness who talked about the need to have a strategy to enhance and increase the use of ports, particularly for the port of Montreal.

Do you share this opinion?

Mr. Daniel-Robert Gooch: What do you mean by “enhance”?

Mr. Simon-Pierre Savard-Tremblay: I am talking about a revitalization of the use of ports, which is perhaps not yet at its optimal level.

Mr. Daniel-Robert Gooch: I'm going to answer in English.

[*English*]

I'm not sure I can speak properly to the question, but we have a tremendous network of ports in this country. There is unused capacity in certain parts of the country, and certainly we think there are opportunities to make better use of some of the assets that are maybe underutilized. In general, our ports are working well in their important role of supporting and facilitating trade.

We're really looking at what we need over the next 10, 15, and 20 years to ensure Canada continues to have the capacity it needs while making many other investments that need to be made in terms of fuels of the future, adapting to climate change and having hardened and resilient infrastructure. Really, we're very focused on ensuring that our port system can continue to serve the needs of Canada and our economy for the decades to come.

We think there is a tremendous opportunity now with the focus on supply chains and the work of the supply chain task force in pivoting to where we go next, so that's why I'm excited to be here.

[*Translation*]

Mr. Simon-Pierre Savard-Tremblay: Thank you, Mr. Gooch.

[*English*]

The Chair: Thank you very much.

Mr. Masse, go ahead for two and a half minutes, please.

Mr. Brian Masse: Thank you, Madam Chair.

To Mr. Dekovic, has there been much innovation in the containers themselves?

Aside from people trying to use them for housing, I haven't seen much, and I don't know if that's true or not. I'm just curious whether there has actually been some innovation to lighten them or make them more efficient. I'm curious about that aspect of it, because the only time we really see them is when they're passing by on the roadways or in a movie or something like that, and we just envision them as Lego blocks.

I'll start with you, and then if anybody else has any comments, I'm wondering whether there is some work happening there, or whether it's worthwhile.

Mr. Marko Dekovic: Sure.

Again, we're not the experts in containers themselves. Our job is to move them and to make sure that they spend the least amount of time possible in our terminals.

I can speak anecdotally from what we've seen: yes, we've seen certain shipping lines invest in lighter containers and use different materials, particularly in the interior and the insulation of the containers. Ultimately, the container is intended to be a standardized unit, so everybody tries for that. The whole focus of the industry is to keep them standardized, to have as much standardization as possible across the entire industry. We know there have been some moves by certain ocean carriers to RFID all their containers and use technology to track them better, etc., so all those innovations are happening.

I want to use this opportunity to comment on the industry overall. We hear a lot of comments about digitalization. I think there is maybe a misconception around terminals and the industry, which is that people are still walking around with a pen and paper to track containers, but we have a very sophisticated digital infrastructure at all of our terminals. We have a digital twin of our GCT Deltaport intermodal rail yard. It's the most technologically advanced on-dock intermodal rail yard in the world. It's a semi-automated on-dock intermodal rail yard. All those things exist already in Canada. They are being done and they are being invested in by private sector dollars. I think it's important to keep that in mind.

● (1240)

Mr. Brian Masse: Okay, great.

Is there anybody else?

Mr. Doug MacDonald: On the container side, you'll see a lot of innovation on the refrigerated containers. A lot of them are now GPS-enabled. They'll tell you where they are; they'll tell you how much fuel they have left in them and when it's going to run out and when you have to refill them. They've spent a lot of money on that side of the market, and it works very well.

The Chair: Thank you very much.

We'll go on to Mr. Carrie for five minutes.

Mr. Colin Carrie: Thank you, Madame Chair.

Mr. MacDonald, I was trying to get some information about capacity and whether we could do things a little bit differently, take things off rail that didn't have to be on rail. The question was about the oil and gas sector, because I've heard from my friends out west that a significant amount of oil and gas is on rail. I asked about the supply chain task force and if this is something we could look at. Do you have any idea, if we were able to get some of that oil and gas into safe transportation through pipelines, of how much capacity we could free up?

Mr. Doug MacDonald: Well, there's very little oil that moves by rail. It's a very minuscule part of the market. A lot of it's heavy oil, which doesn't go well with pipelines, and generally it moves to refineries that are not pipeline-connected, so that's where it is. When the oil sands in Alberta were producing really well and it was over the pipeline capacity, that's when you saw some surges over the last five years in moving it by rail, but that has died down to almost nothing with the pipeline capacity expansions that have been done.

Mr. Colin Carrie: Okay. Thank you.

You mentioned the Milton facility and how long it took to build. Again, I'm all about competitiveness and getting more jobs to come to our country and stay in this country, but eight years to get through our regulatory system.... You mentioned 334 conditions, I believe, that you have to go through. Are you able to let us know if they're municipal? Is that federal or...?

Mr. Doug MacDonald: It's 100% federal. They've taken into account some of the municipal requirements. I get that. Literally, it's five years through the environmental process and another year through the courts, so I'll say it's six years through the government side of it. Now we're finally into the construction, and we're still in court with the municipalities because they're still trying to get it stopped at the same time. It's a fight, but we're going to get there. We started construction this year, realigning two creeks, which is part of the conditions; it's fine. It'll take us another year to do more of the conditions, so we'll probably only have it up and running two or two and a half years from now.

Mr. Colin Carrie: Okay.

You mentioned that we don't want history to repeat itself. Is there a recommendation you could make to the committee to streamline that? It does deter people from coming to Canada.

Mr. Doug MacDonald: Well, it's not just rail, so even when big companies want to put up plants, they all face the same types of hurdles. Really, what we'd need is, I would say, a government process that allows them to streamline through all the different ministries to get things done quickly and allow decisions to be made in a much more rapid manner. Five years for an environmental approval is a long time.

Mr. Colin Carrie: Is it ever.

Here's my last question. In Oshawa, we have an airport and we have a port. You mentioned human resources. I know that Congressman Higgins in the United States was asking Canada to increase resources—meaning the people—who could help get these goods across the border. I know that in Oshawa we had a CBSA office, and basically it was full time. Now it's been shut down; I think somebody comes in every now and then.

What do you think we could do to increase that capacity? Is it just hiring more people? What do you see?

Mr. Daniel-Robert Gooch: The CBSA would be best placed to respond to that question. The federal government has invested in the CBSA. In my previous role, border modernization was something we pushed for several years, and we did see that move forward.

At the end of the day, you always need people to do certain things, but a greater reliance on technology and greater flexibility for them would help. I speak to flexibility and nimbleness for our port authorities; our government agencies need that as well. Sometimes they face policy constraints that are not necessarily within their control.

In terms of their human resource challenge, I'd really have to defer that to the officials at CBSA.

Mr. Colin Carrie: Okay. That's great.

I have one more minute.

Could you delve in a little about the tools in the tool box?

You mentioned a couple of times the borrowing limits that you have. I've heard from my local port that to be competitive, you need to modernize. How much of a restriction is this for you to do the modernization? How difficult would it be for the federal government to just change that quite quickly? It appears to me that it's not going to increase the cost to the government. Basically, you're just going to be borrowing.

How quickly could those changes be made?

● (1245)

Mr. Daniel-Robert Gooch: I believe it's really a matter of a couple of lines of legislation. We know the amendments to the Canada Marine Act are going to be tabled soon. We're certainly going to be looking at what the government is suggesting in terms of changing that.

One thing that's been talked about is streamlining the process for increasing the borrowing limits. That might be an improvement, but that may not be the best way in terms of opening things up.

You mentioned the cost to government. Really it would actually help the cost to government, because the national trade corridors fund is filling a lot of the gaps that could be otherwise filled if ports had that greater flexibility.

There's more to flexibility than that. I'm still learning about how this system works, but land transfers and the ability to buy land and develop things like inland ports.... There are restrictions on a lot of the options that ports could undertake to do what they need to do to fulfill their mandate.

The Chair: Thank you very much.

We'll move on to Mr. Miao for five minutes, please.

Mr. Wilson Miao: Thank you, Madame Chair.

I would like to share my time with MP Sheehan, if I don't use it all up.

Through you, Madame Chair, I would like to direct the following question to Mr. MacDonald.

Understanding that half of your railcars are designed for 40-foot containers, can you please let us know how the railcars designed for 40-foot containers have reduced delays and altered your circumstances in comparison to other rail companies that do not have the same number of railcars that are compatible with the 40-foot containers?

Mr. Doug MacDonald: From the ocean standpoint, there are 40s and 20s. It's a function, a multiple. When we look at providing railcars to off-load from the ports, we provide about 30 kilometres' worth of railcars every single day to the ports to bring in containers and also to bring empties or loads back. Ideally, you want as much as possible for those to be 40s and 20s, because they go directly to the ships.

Now, on our inland terminals, we use 53-foot containers, which is the North American standard. We try to keep those out of the ports in order to maximize exactly how many 53s you can put on for the inland versus the 20s and 40s out of the ports. We have a whole group trying to match that up every single day.

Mr. Wilson Miao: Thank you.

To address surge capacity, what is being done to build that surge capacity? What is your timeline on expanding it, especially with market change? By the time we have the surge capacity addressed, will that affect the long-term changes in our economy?

Mr. Doug MacDonald: We're not building surge capacity per se; we're building capacity based on the business that our customers are telling us is coming in.

What I'm saying is that if the supply chain or the government wants to build surge capacity, it's most likely going to have to come with some funding, because our customers aren't willing to support it, and that's how we build things. It's based on the business that they're going to give us. We have a contractual commercial arrangement with them and we build that infrastructure accordingly.

A great example is the grain industry. If they want to move another 1,000 or 10,000 tonnes a day to port but they're not willing to commit to it, it's hard to invest in that rail line just on a say-so, so we would look for help with that.

Mr. Wilson Miao: Thank you.

Terry, do you have more questions?

The Chair: Go ahead, Mr. Sheehan.

Mr. Terry Sheehan: Thank you very much.

How much time do I have, Chair?

The Chair: You have two minutes.

Mr. Terry Sheehan: Thank you.

The surge capacity you've been talking about and the need to build towards it, I think, are really critical. We've talked about how the market is going to take care of certain things. However, when I start to think about some of the ambitious plans that Canadians have for the future—the transportation networks—we really need to continue to invest in them. We talked about the national trade and transportation corridor, in which, we heard, there's a billion-dollar investment, with $300 million coming from the government.

Could you just expand a little bit? What's that being used for? We ran out of time earlier. Just explain the investment and the good it's going to do.

● (1250)

Mr. Duncan Wilson: Thank you. I would be happy to do that.

What happens is that the $300 million is divided among approximately 40 different projects in the Lower Mainland that were identified. They are typically things like grade separations to remove road-rail conflicts. In some cases those projects are allowing railways to stage longer trains closer to strategic locations. Also, in some cases—in many cases—those projects also benefit the communities in which they are located by removing bottlenecks in terms of local traffic congestion and the like.

All of them are projects that were identified through a collaborative process involving a number of agencies, the federal government, provincial government and industry. Those projects were identified and then jointly supported into the national trade corridor for funding.

We get a third of the funding from the federal government. The port authority prefunds a third of it on behalf of industry. We recover that investment from industry over time, over the amortization of the project. Then a third of that funding typically will come from the railways. It really depends on the project. For most of the projects we're doing now, the remaining third would come from the railways.

Mr. Terry Sheehan: It's certainly a very well-thought-out plan.

The Chair: Be very brief, Mr. Sheehan.

Mr. Terry Sheehan: This is more of a comment.

I agree with the individual that perhaps our regional economic development agencies could look at being a small cog in some of the ways that we could get our products to market.

The Chair: Okay. Thank you very much, Mr. Sheehan.

We have a few minutes. Does anyone have any outstanding questions?

Mr. Martel, you can have a very short question.

[*Translation*]

Mr. Richard Martel: Yes.

[*English*]

It's very short.

[*Translation*]

Mr. MacDonald, according to what you were saying earlier, the oil you transport by rail cannot be transported by pipeline. Is that correct?

[*English*]

Mr. Doug MacDonald: Some of the oil we are transporting moves by pipeline today. The Trans Mountain pipeline, for example, is still under construction to Vancouver. We are moving oil to Washington refineries on the west coast today. Once the Trans Mountain is back up and running at full capacity, the oil will not move by rail anymore.

[*Translation*]

Mr. Richard Martel: I thought I understood that the oil you carry in your cars cannot be piped because it is crude oil.

[*English*]

Mr. Doug MacDonald: There are two different areas, sir. Some of it is transported by pipeline, but the pipeline is at capacity right now, so it's very little.

Other oil is well outside of pipeline areas, so it comes in to a rail point, where it gets put into a railcar and is then sold to refineries that are not on a pipeline, normally deep in the U.S. south. Those are the two big things that CN moves today.

Then we'll take some spot moves for pipeline in the summer if we have capacity. Otherwise, we don't move it the rest of the time.

[*Translation*]

Mr. Richard Martel: Thank you.

[*English*]

The Chair: Thank you very much.

Thank you to our witnesses. I think it was very valuable testimony from of all of you. Thank you for being here.

For the information of the committee, this coming Friday we will consider the draft report for the study of the Canada-United States relationship and its impacts on the electric vehicle, softwood lumber and other sectors.

On the issue of the United States' Inflation Reduction Act of 2022, could members ensure that we have the witness lists by October 24, so we can begin that study?

Is everybody good? Everybody's fine. Okay.

I have a note for the committee members. We have finalized our preliminary submission for the proposed travel for next February or so. It's a high-level estimate, so it's very accurate this time, rather than being not as accurate. This time we will be submitting it and it will be highly detailed, which is usually your secondary travel request. The clerk has made a very detailed submission. We'll see what happens as we go forward.

Thank you all very much.

Mr. Carrie and Mr. Seeback, welcome. We're glad to have you.

The meeting is adjourned.