

MACRO TRENDS – TRANSPORT IMPACTS

By Emily Bates, Philip Cartwright and Nick Mulder¹

I – Introduction

Over the past 20-25 years, Canada has seen extensive changes in transportation that few would have foreseen in the 1980s: huge increases in export-import shipments due to NAFTA and the opening up of Asian markets; deregulation of the air, rail and truck industries; privatization or commercialization of Air Canada, CN, NAV CANADA, airports and ports; many exiting, merging or new trucking firms and airlines; termination of freight rate subsidies and increased user fees; recent massive gateway and infrastructure expenditures; high fuel prices and concerns regarding environmental degradation; and the implementation of extensive and costly security measures due to an increased number of terrorist threats. Given these and other changes, it is timely to ask what the future holds: what are the macro trends and what are the implications for transport? What should Canada's transport policy initiatives be for the next decade?

In June 2008, the Canadian Transportation and Research Forum (CTRF) sponsored a panel session in Fredericton on future transport priorities for four sectors: rail, air, marine, and truck. The consensus from all participants was that emphasis is required on:

- A common vision for a more efficient transport system;
- A more integrated and consistent multi-modal transport policy;

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- Much more investment in broadly defined research and development;
- Increasing Canada's productivity and competitiveness internationally and with the US;
- Strengthening the industry's response to deal with climate change; and
- Increased investment in and efforts to generate a better multi-modal, efficient and reliable supply chain.²

It is difficult in a short policy paper to address all these themes adequately. However, they can serve as a backdrop for: (1) a common vision based on emerging trends and real needs; (2) increased transport productivity and competitiveness to promote growth; (3) investments in strategic areas; and (4) a more reliable door-to-door transport system for both freight and passengers. The emphasis in this paper is on what governments should do while recognizing that past progress has also been driven by many private sector efforts.

This paper will not deal with safety and security issues. Regarding safety, Canada has a good track record, even in rail despite some spectacular spills. For security, much depends on future threat assessments and how Canada and the US can reach agreement on joint security measures to reduce the clogging of our trade and transportation arteries. Further, this paper does not suggest that current funding and program initiatives such as stimulus funding for transportation infrastructure, rail freight service improvements, and airport efficiency and cost reductions should be changed.

A word of caution: forecasters know the need to forecast often – they may be right at least once. This paper is based on various assumptions: China will not economically or politically implode; the Middle East will stabilize and manage its economic and political tensions; fuel prices will not skyrocket; major global pandemics and new terrorist attacks will not occur; Canada will stay united country; and the US will slowly address its own divisive political problems and financial challenges. Reflecting on the past few decades, such assumptions seldom remain valid for long.

² Canadian Transportation Research Forum "Plenary Report, 2008 CTRF Annual Conference, Fredericton, June 1-4." *FORUMation* July 2008.

II - Macro Trends

The international consensus is that there will be a continuance of:

- 1) The shift of the global economic centre of gravity to Asia. Studies have documented the movement of this centre of “growth” from Europe in the 1850s across the Atlantic Ocean to North America by the 1950s and argue that it will soon have finished crossing the Pacific Ocean to East Asia (China, Japan, India and Indonesia).³
- 2) Changing trends in population growth. Fertility in most countries worldwide will soon equal the replacement rate; families will be having only sufficient children to replace themselves.⁴ Hence, world population is likely to level off by 2050 at roughly 9 billion.⁵ There is a strong correlation between poverty incidence and fertility rates; as the former decreases, the other increases and vice versa. Major population countries such as China and India will continue to improve their level of income, health and education. As a result, their purchasing power will also increase.
- 3) Changes in population distribution. Europe and North America had 17.1% of the world’s population in 2000, but are projected to have only 12.5% in 2050 – a larger share of which will be immigrants and all the growth in urban centres. By 2030, 60% of the world’s population will live in urban areas; in Europe and North of America, that proportion will be even higher.⁶
- 4) A relative decline in the power of the US and Europe. The Group of Eight (G8) has become the Group of 20 (G20). The BRIC countries (Brazil, Russia, India and China) are leveraging their financial and trade clout. China is now the second largest economy in the world (bypassing Japan) and may soon replace Europe as the second most influential power in the world; perhaps it already has.

³ See for example: Grether, Jean Marie and Mathys, Nicola. “Is the World’s Economic Center of Gravity Already in Asia?” *University of Neuchatel, Social Science Research Network* 15 August 2008.

⁴ “Go Forth and Multiply a Lot Less.” *The Economist* 29 October 2009: print.

⁵ See: “World Population Prospects: The 2008 Revision” *United Nations Population Database*. 2008.

⁶ United Nations Population Fund. “State of World Population 2007: Unleashing the Potential of Urban Growth”. UNFPA 2007.

Given the above, unless there are major disruptions, Asia will continue to be the main driving force for growth over the next few decades with much less robust growth for the US and Europe. Further, it is a valid assumption that most of Canada's growth will be in urban centres where growth will be linked to the new economy not just resource development.

III - Implications for Canada

These trends will undoubtedly have major implications for Canada and we are not ready to respond effectively. Currently, Canada still functions with a huge dependence on the US economy. With NAFTA, Canada has increased its trade with the US from 75% in 1990 to 84% in 2005; however, given the current economic slowdown, that level has decreased back to 78%⁷.

Canadian Exports to the United States (Millions of current \$CDN)								
	1990		1995		2005		2008	
	Dollar value	%	Dollar Value	%	Dollar Value	%	Dollar Value	%
US	114,459	75.2	207,753	79.2	365,741	83.8	375,479	77.6
World	152,208	100	262,267	100	436,351	100	483,576	100

Source: Industry Canada. *Trade Data Online*, December 2009.

Further, as a result of downsizing, foreign acquisitions, mergers and bankruptcies, Canada's manufacturing and resource sectors have been largely hollowed-out. In major sectors – mining, oil, wine, and technology – firms have been bought out by foreign investors. Key examples include Inco, Falconbridge, Labatt and Mitel, while others have gone bankrupt including Nortel and potentially CanWest. Still others have experienced lags in performance such as Bombardier and forest product firms.

In tandem, private sector research and development (R&D) is at internationally-low levels. In 2007, Canadian private-sector R&D ranked 14th among OECD countries as a percentage of GDP, at only 1% of GDP, well below the OECD average of 1.6% and roughly half of what the U.S. private sector spends as a percentage of GDP.⁸

⁷ "Trade Data Online." *Industry Canada*. Web. January 2010.

⁸ Lynch, Kevin. "Canada's Productivity Trap." *The Globe and Mail*, January 29, 2010.

Canada has no major international urban centres to match London, New York, Tokyo, Shanghai and other global cities; Toronto ranks 48 among international cities, Montreal 81 and Vancouver 164⁹

With recent political changes and elections, Canada has a domestic political system with resulting policies still too focused on non-urban areas and on the old economy. Rural Members of Parliament (MPs) have relatively more clout. Earlier attention by the federal government to the knowledge-based economy and R&D seems to have declined. Climate change programs, a green economy, and a technology-rich economy are not top priorities of the current government. There is relatively more focus placed on resource development and rural areas.

Studies indicate that population and political clout in Canada will grow mostly in urban Ontario and the West. By 2030, British Columbia, Alberta and Ontario will account for 67% of Canada's population versus 57% in 1990, mainly in the major urban centres.¹⁰

In terms of federal representation, recent initiatives by the federal government are evidence of the need to change riding distribution for the West and Ontario. Legislation first proposed in 2009, if passed, would see Ontario, Alberta and British Columbia holding about 60% of 342 federal ridings, versus 54 % of 295 ridings twenty years ago.¹¹ Further, given long-term population trends, by 2030-35, Parliament may increase the number of MPs to 390-400, with 2/3 of the Members hailing from BC, Alberta and Ontario.

Canada is not well-positioned to focus on urban-centred growth, on the new economy, nor, despite this western shift, on Asia. Given the above mentioned global trends and recent domestic developments, the main priorities for Canada over the next decades should be to look more to: a) the West and much less to the East or South, b) to major urban areas rather than the more rural ones, and c). to the new economy rather than the old one.

⁹ United Nations Population Fund. "State of World Population 2007: Unleashing the Potential of Urban Growth". UNFPA 2007.

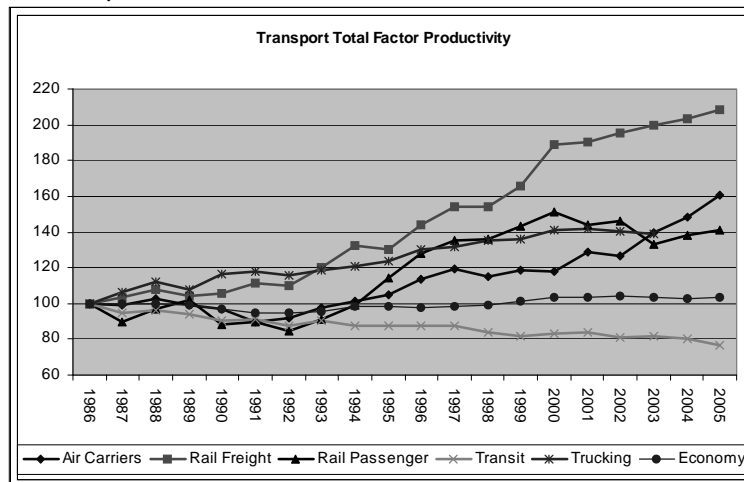
¹⁰ "Population Projections for Canada, Provinces and Territories: 2005-2031" *Statistics Canada* 2005.

¹¹ Ibbitson, John. "Ottawa moves to reshape the House." *The Globe and Mail*. September 24, 2009.

Clearly, there is a need to continue to manage and build good relations and trade with the US given Canada's economic dependence. The US population may increase from its current 300 million persons to 450 million by 2050 due to normal, albeit declining, natural growth and immigration. And it is still one of the most innovative and productive countries in the world. However, over the next decade it will be largely occupied with curing its own ills: a dysfunctional political system, large trade and fiscal deficits and disjointed social programs.

IV - Transport Implications

Canada will grow slowly over the next few decades, with most growth focused in urban centres and in the West. Transportation will also experience slow growth, mostly in and among major urban areas and for resource shipments increasingly moving west. Yet the sector may once again, as in the past, outperform the total economy.



Source: Transport Canada Data

Transportation has historically been an engine for growth as a result of both public and private sector initiatives. The table above shows that transport factor productivity has increased by 2-3%

annually from 1986 to 2007, while the overall economy has seen virtually no productivity growth. Rail freight had the greatest improvement over those years in terms of productivity (albeit from a low base) and urban transit, by far, the worst

Output from for-hire trucking has led the transport sectors since the early 1990s. Rail passenger output has not recovered since the large cuts in service during the 1980s. In more recent years, (2000 onward) rail freight has outpaced other industries in terms of output and is the only mode to outpace GDP growth over that period.

Transportation Sector Output: Annualized Growth Rates						
	81-86	86-91	91-96	96-01	01-05	86-05
Air Transport	3.1%	1.8%	5.4%	4.1%	0.3%	3.0%
Rail Passenger		-9.5%	1.7%	1.7%	-0.7%	-1.9%
Rail Freight	0.1%	-0.8%	1.9%	3.4%	3.3%	1.9%
Trucking*	4.0%	2.3%	9.7%	6.9%	-0.3%	5.2%
Public Transit		-0.3%	-1.8%	2.0%	2.7%	0.5%
Economy (GDP)	2.7%	1.6%	3.0%	5.0%	2.7%	3.1%

Source: Transport Canada. *Series terminates in 2003

The rate of transportation output has grown the fastest in Western Canada. In terms of airport passengers, for example, the four major airports in Alberta and BC grew by approximately 100% over 20 years, while other major Canadian airports grew by only 40-50%.

Major Airports Total E/D Revenue Passengers (Millions)			
City	1988	2008	% Increase
Halifax	2.3	3.5	48
Montreal	8.8	12.0	37
Ottawa	2.7	4.1	53
Toronto	20.3	30.1	49
Winnipeg	2.5	3.5	40
Edmonton	3.0	6.2	105
Calgary	4.5	12.2	168
Vancouver	8.8	17.1	93
Victoria	0.8	1.5	98

Source: Transport Canada data

For ports, there is a more mixed track record. Growth for all Canadian Port Authorities was only 15 % from 1998 to 2007. Bulk commodity ports for oil generally did well such as Saint John and Quebec/Levis. Others saw decreases in tonnage handled such as Halifax, Hamilton and Thunder Bay. West Coast ports all saw increases.

Major Ports Traffic Handled (Millions of Tonnes)			
Port	1998	2007	% Increase
Vancouver (3 of them)	82.0	95.4	16
Saint John	18.4	26.1	42
Montréal/Contrecoeur	21.0	25.6	22
Sept-Îles/Pointe-Noire	24.6	21.4	-13
Québec/Lévis	15.6	26.6	71
Halifax	13.5	12.6	-7
Hamilton	12.3	11.5	-6
Thunder Bay	9.9	8.5	-15
Prince Rupert (2 of them)	8.5	10.5	23
Total for all CPA Ports	221.7	254.2	15

Source: Transport Canada data

A major problem facing all transport sectors is congestion and related delays at key origins, destinations and gateways. “Transportation” now means moving faster and faster to and from major bottlenecks. Increasingly over the past few decades, transport time and productivity are lost in urban areas, border crossings, ports and airports. A plane can now fly from Hong Kong to Toronto in 14 hrs (12,500 km), yet this trip also involves an extra 7 hours of “door-to-door” time including travel to/from airports and processing time through the airports. Airport and urban road congestion are experienced by many Canadians every day. However, these delays also exist in other areas. For example, in 2008, the average truck wait times at a customs office for US bound freight was 20 minutes in Windsor and 13 minutes at other main exits to the US.¹²

With recent stimulus and gateways fund outlays, highway construction has increased, but not sufficiently on major highways in

¹² Transport Canada, Quarterly Transportation Bulletin, December 2009.

and around major centres, especially in Ontario and Quebec. Intercity passenger transportation will continue to expand and will rely on automobiles and airplanes. Unless significant policy changes are made, the bus and rail passenger industries will continue to have a relatively declining role. Freight shippers may, as they seem to be doing now, shift their freight from trucks to tracks if only because of high fuel prices and highway congestion in urban areas. Indeed, intermodal rail traffic has increased by 70% from 1999 to 2008.¹³

Programs and spending for infrastructure have increased considerably in recent years. Canada has had and will continue to have an urgent need to upgrade, maintain and expand its infrastructure for years to come. The following table summarizes the main infrastructure funding programs introduced over the past few years:

Program	Amount (2009-11)	Total amount	Overall timeline
Building Canada Fund (BCF): •Major Infrastructure Component •Communities Component (CC)	2.2 B 233 M	7.7 B 1.1 B	2007-14
Municipal Base Funding : •Gas Tax Fund •GST Rebate	4 B 1.6 M	11.8 B 5.8 B	2007-14
Gateways & Border Crossings Fund	618 M	2.1 B	2007-14
Asia-Pacific Gateway	262 M	1.0 B	2007-14
Public-Private Partnerships Fund		1.3 B	2007-14
Provincial/Territorial Base Funding (accelerated for 2010-11)	989 M	2.3 B	2007-14
Boost to CC of BCF	500 M	500 M	2009-11
Green Infrastructure Fund	400 M	1 B	2009-14
Infrastructure Stimulus Fund	4 B	4 B	2009-11
Recreational Infrastructure Fund	500 M	500 M	2009-11
Knowledge Infrastructure Program	2 B	2 B	2009-11
Total	17.3 B	41.1 B	2007-14

Source: Federal Budgets for 2007, 2008 and 2009.

¹³ “2009 Railway Trends.” *Railway Association of Canada* 2009. p. 20.

Overall investments of this magnitude hold enormous potential for long-term economic benefits in Canada. Of particular note are the investments for the Pacific Gateway, US-Canada trade corridors and several major urban transit projects. However, as many observers have noted, the allocations for many other programs are typically for projects in smaller or rural communities, for local roads and for water and sewer systems. Many projects seem to be driven too much by short-term, non-economic considerations. In addition, all of the programs will end by 2014 unless extended by future Budgets.

The distribution of most of these funds very broadly and in a rather ad hoc, cumbersome manner raises three questions:

- 1) Are the longer-term strategic infrastructure needs of Canada being met? Not nearly enough.
- 2) Are there better, more efficient processes available to determine infrastructure projects to be funded? Yes there are.
- 3) Can policies and investments become more urban-focused and strengthen our ties with our major US trading partner and increasingly with Asia? Yes they can and must.

V- Transport Policy Needs

What are the transportation policy implications if our growth is to be more urban-centred and focused on Asia? The main needs are to reduce bottlenecks in urban areas and at major Gateways and make investments for more efficient logistic chains for both freight and passenger movements.

“Increasingly important trading relationships with Asia will require fluid gateways and transportation links from the points of entry to the production and consumption areas inland. There is congestion in the system, as was evidenced by the surges in growth prior to the most recent economic crisis. The main issues that we are facing are not in the long-distance inter-city links, but in actually passing through the major urban areas and modal interfaces, such as ports and inland rail intermodal terminals. If we are to make our gateway linkages world-class competitive, then we really need to focus principally on our

congestion costs that are incurred in the major urban areas where ports, border crossings and logistics hubs are located.”¹⁴

The main future transport productivity opportunities are in urban areas, in reducing major bottlenecks, and through building better links with Asia and the US. These should be the goals of all major transport players. While not ignoring what the private sector can and should do, below are some policy suggestions for governments worth pursuing.

Urban Infrastructure

Building a more efficient strategic plan starts with refocusing governments’ approaches in three key areas: vital socio-economic infrastructure for municipalities (roads, water, sewers, etc.), large urban transit projects, and major intercity highways.

Municipalities need to have a regular and reliable source of funding for infrastructure. Furthermore, they must be allowed to determine, except for major projects they cannot finance or have cross-jurisdictional implications such as major transit projects, where that funding is directed without the current extensive reviews and decisions from the senior levels of government. Municipalities lack the tax resources to effectively fund their required infrastructure projects on their own or to match funds received from federal and provincial governments. At present, using federal and provincial funds can mean forfeiting municipal control over where those funds go in instances where priorities do not line up nicely among all three levels of government.

Past initiatives to transfer responsibility and tax sources for infrastructure projects from federal and provincial governments to municipalities need to be expanded and made permanent; at present they are to terminate in 2014. More stable and long-term transfers of gas tax revenue from the federal and provincial governments to municipalities would be a good place to start. Then, given these additional revenues, municipalities would be in a position to decide themselves where the funds go and report annually on how funds were allocated.

The federal government should, for both transport

¹⁴Kieran, Michael (IBI Group). Email message to the authors. 12 January 2010.

productivity and environmental reasons, concentrate its role with municipalities on the strategic development and funding of large scale urban transit plans and projects. But let's be clear: this must be for major cities only. With future population and economic growth in Canada centred in roughly 15 major cities, light rail, bus systems and subways require a coordinated and multi-jurisdictional support. Unfortunately, the approach to date has been too ad hoc, limited and short-term. Well-conceived, long-term urban transit plans for all cities with populations of 250,000 or more need to be developed and funded in order to ensure the continued growth and sustainability of urban transit systems. Collaboration at the federal, provincial and municipal levels of government is a must in this regard. Plus there is a need for much more efficient, innovative and productive management of the system to increase ridership and revenues, reduce labour, other input costs and low density routes, and improved and seamless intra-urban transit links.¹⁵

Intercity Highways

Investments in strategic intercity highways need to increase as part of a long-term stable plan. The establishment of a Strategic Highway Trust Fund would be an effective solution to address this priority. Functioning at arm's length from governments, it could be financed for 10 or 15 years by fuel taxes and from federal and provincial governments, as well as contributions from commercial highway users. The Canadian Truckers Association proposed a similar model a few years ago and it should be given serious consideration now.

Some current funding programs the federal government hold long-term, strategic promise. The new federal Crown corporation (P3 Canada) and the Gateways and Borders program, for example, still have funds to allocate and will be valuable sources for essential infrastructure funding over the coming years. When viewed in tandem with these programs, the current infrastructure spend can be seen as an integral component of a wider plan if they are renewed and expanded.

¹⁵ For example, see reports by Toronto's Metrolinx on "The Big Move" and Montreal's "Plan de Transport", both in 2009.

Intercity Bus and Rail Passenger

There ought to be a revitalization of intercity bus and rail passenger. Cars and planes have outperformed these sectors. Total passengers for bus increased from 14.7 million in 1997 to 17.3 million in 2007, an average annual rate of growth of 1.8 %, much lower than for air and cars. The same was true for rail passenger where the total passengers carried went from 3.7 million in 1997 to 4.2 million in 2007, an average growth rate of only 1.2 % per year. Both have done poorly due to limited investment in stations and vehicles and less than fast, convenient and effective service.

Yet these modes are important: the intercity bus for the older and more economically challenged who want to travel to and from urban areas or interurban in a less costly and most energy-efficient mode; and for rail passenger for Corridor services and for tourism.

The bus sector gets, unlike rail passenger and urban transit, no subsidies and needs more attention; it has been ignored too long. There should be total deregulation in all provinces (only some have done this now) to encourage the start up of new entrants and routes. In addition, governments ought to consider tax incentives and grants for investments in bus terminals and new equipment.

For rail, VIA Rail has benefitted from \$2.3 billion in government subsidies and capital over the past decade.¹⁶ However as noted above, despite improved management and cost recovery results, total passengers per year over this decade averaged only about 4 million, meaning that the average subsidy per passenger was just over \$50 per passenger.¹⁷ Meanwhile, the Toronto airport alone handles 30 million passengers per year with no subsidies from the general taxpayer. Indeed, the Pearson airport *pays* \$ 150 million plus annually to the federal government in airport rent.

¹⁶ Minister of Public Works and Government Services. "Table EC71: Financial Performance of Transportation Industries, 2005 – 2007." *Transportation in Canada 2008 – Addendum Tables and Figures*. 2008. P. A40

¹⁷ Minister of Public Works and Government Services. "Table RA32: Passenger and Passenger-Kms for VIA Rail Canada and Class II Carriers, 1997 – 2007." *Transportation in Canada 2008 – Addendum Tables and Figures*. 2008. P. A46

Canada should not pursue real high-speed rail (up to 300km/hour) anywhere in Canada since we do not have the population density and funds required to support such an initiative. In any case, Canada can boast of better domestic air transportation than European countries and Japan.

In 1995, a study concluded that the cost of high-speed rail from Quebec City to Windsor was \$18.3 billion (including interest during construction), would take 10 years to build and would shift relatively few from car to rail but have major impacts for short-haul air.¹⁸ Updates to this 1995 study are now under way and are to be released later in 2010. Revised costs are likely to be pegged around \$25 billion (again with interest) with a longer time frame for end-to-end construction due to new land acquisitions and rights of way for high-speed tracks, stricter and longer environmental assessments, and higher costs for signalling, rolling stock and new stations.

If the government wants more effective rail passenger services, a pro-active commercialization strategy for VIA Rail ought to be pursued. The corporation is burdened by a requirement to provide coast-to-coast service while 90% of its passengers are in the Quebec City-Windsor corridor. By breaking out the major business units into key sections – tourism, remote and intercity – it would be worthwhile to assess and plan how the private sector can play a stronger role in operating the currently money losing units, especially more tourist friendly transcontinental services. Focusing completely on the core business unit – the Corridor – VIA Rail could easily partner with the private sector and the Ontario, and Quebec governments and its urban transit operators to upgrade services as the US has done in the Boston-NY-Washington route.

Air Passenger

In the air sector, Canada has made progress in negotiating Open Skies agreements with the US and the EU, among others. However, Canada needs to be more active in and a champion for real Open Skies agreements fully extending the air freedoms, especially with Asia; for both passenger and cargo. International airlines ought to be allowed to merge and become global companies. Other sectors

¹⁸ Canada, Ontario and Quebec, “Quebec-Ontario High Speed Rail Project”, 1995

can and do; so should airlines. The days of airline companies having to worry about foreign ownership rules, landing rights and air bilaterals should be stopped; an old mercantilist approach – airlines can only do what is permitted, not what is needed. As an example, Cathay Pacific should be allowed to pick up passengers in Vancouver on its route from Hong Kong to New York via Vancouver; Air Canada should be permitted to board passengers in Los Angeles on a route from Toronto to Singapore. Further, changes in foreign ownership rules should let a Cathay Pacific merge with an Air Canada or vice versa.

There is one other area the government must address: the air sector's large financial burden. It cannot continue to be a cash cow for federal coffers; it should be seen as another engine for growth. As several reports have noted the air sector pays about \$1.2 billion per year in fuel excise taxes, grants in lieu of taxes, airport rent and security fees.¹⁹ In other sectors, fuel excise taxes have been reduced or eliminated. Costs for airport security are in most countries not paid for by airline passengers: why in Canada? With international Open Skies and reduced rents and others costs, airports in Canada such as Vancouver and Toronto could play a more significant airport hub role for traffic from the Americas, Asia and Europe.

Cross Border Measures

Efforts to foster Canada-US cross-border alliances in rail, truck and air need to be doubled. With increased security concerns and new trade impediments, Canada-US freight and passenger movements demand that we explore ways to allow faster processing and door-to-door transport. Perhaps this means allowing more Canada-US mergers of transport companies and more partnership with the US on common border and security rules, the so-called “perimeter clearance” model. A major contributing factor to the congestion is the stove-pipe mentality and measures by different US and Canadian agencies who work independently rather than in a “whole of government fashion”.

¹⁹ See for example studies by Dr. Fred Lazar, “The Potential Impact of Reducing Rents and Fuel Taxes”, February 2007 and by Intervistas Consulting Inc “The Role of Government Policy in the Cost Competitiveness of Canadian Aviation.”, October 2007.

Bottlenecks are caused by many factors and resolution depends on the cooperation of many parties – not just governments. Bottlenecks in both infrastructure allocations and regulations are the responsibility of governments at all levels. However, bottlenecks due to dysfunctions in the supply chain need work by the private sector.

Bottleneck Causes ²⁰				
Infrastructure Bottlenecks		Regulatory Bottlenecks		Supply Chain Dysfunctions
<u>Chronic constraints:</u>	<u>Temporary Constraints:</u>	<u>Indirect Effects:</u>	<u>Direct Effects:</u>	
- Climate Barriers	- Weather Disruptions	- Cabotage Restrictions	- Safety/ Quality Inspections	- Labour Work Rules
- Physical Restrictions	- Construction, Accidents, etc.	- Fiscal Policies	- Security Measure	- Competing Corporate Agendas
- Under-investment	- Market Perturbations	- Competition Policy		- Information Incompatibility
	- Dis-Investment			

VI - Concluding Comments

Clearly, this is an ambitious set of policy recommendations for a relatively short time horizon. However, policy makers and legislators should not be daunted by the task ahead. As noted at the outset of this paper, over the past 20-25 years we have seen massive changes in the transport sector which, looking back to 1990, few would have envisioned. What is needed is a similar ambitious set of forward-looking, long-term transportation initiatives to ensure Canada and its important transportation sector continue to prosper in a rapidly-changing world.

The CTRF consensus in 2006 was that Canada should develop a common vision for a more efficient transport system built on integrated and consistent multi-modal transport policy. Further, the Forum supported increased investment in and efforts to generate a

²⁰ Based on a paper by Dr. Barry Prentice, “Importance of Intermodal Connectivity and Bottleneck Elimination”, CTRF Proceedings, May 2003.

better multi-modal, efficient and reliable supply chain. The policy changes suggested in this paper are based on a similar vision for a more efficient and effective transport system, primarily for urban areas, and to enhance and speed up the movement of freight and passengers to and from Asia and the US.

Many may ask where the funding for the above initiatives will come from. Some, such as international Open Skies agreements and Perimeter Clearance with the US, are not costly at all. Others, such as urban transit and intercity highways, should be funded mostly from user charges, P3 financing and/or increased fuel taxes. Additional required funds for those and for improved bus and rail passenger systems can also come from cuts to other less effective programs. In the federal sphere, for example, in the 2009 Budget approximately \$750 million was allocated to regional development agencies, including Canada Economic Development for Regions of Quebec, the Atlantic Canada Opportunities Agency and Western Economic Diversification. Given the limited impact and benefits over the past ten years stemming from these expensive agencies, funds could be transferred to essential transport programs in those regions.²¹

Transportation is an engine for growth. Given global trends and changing needs, Canadian transport policy and the associated regulatory and funding framework has to be updated. There is a requirement to focus much more on urban areas and increasingly look more to the West, to Asia, if Canada is to prosper. Difficult choices have to be made and new policies launched. New transportation policies have been introduced many times in Canadian history. The risk now is to do too little too late and to stick mainly with the status quo while the world and circumstances change.

²¹ As one example of ineffective and wasteful regional development funding, the Saint John Telegraph-Journal reported on October 16, 2009 that ACOA has agreed to pay the Canadian Football League \$800,000 to play one football game in Moncton in 2010 with the main team being the Toronto Argonauts, a team with one of the CFL's worst track records and a big money loser over the past decade.