

Submission

to the

Canada Transportation Act Review

Manitoba Infrastructure and Transportation

Honourable Steve Ashton, Minister

June 2015

Introduction

Manitoba thanks the Canada Transportation Act Review (CTAR) for the opportunity to contribute our perspectives on national transportation policy and program issues, as anchored by the legislative foundation of the Canada Transportation Act (CTA or Act). The CTAR has requested brief submissions with bold ideas and recommendations to shape the system for the 21st century.

In this spirit, Manitoba's intent is to chronicle our view of major institutional, policy, program, and even "cultural" changes required in the realm of economically-oriented national transportation policy and programming to help successfully support the development of our society and economy. This submission is also meant to build our earlier submission provided to the CTAR on grain logistics issues.

Manitoba's vision for transportation is that it supports the economic and social development needs of the province, in its various facets. Manitoba believes that national policy and programming should broadly and flexibly support each region of Canada to best meet its aspirations—all in support of betterment of the nation. Manitoba would cite the following broad principles upon which the Review should measure the foundation of its recommendations. We strongly believe that adherence to these principles through reformative and visible actions and strategies will better position the transportation system to meet our needs. The principles are as follows, and will be treated in order in our submission:

- A Focus on Consumers and Users of the System
- Federal Financial Neutrality Toward Transportation
- Federal Leadership on Northern, Rural and Remote Transportation Infrastructure and Services
- Focus on Enhancing Canada's Trade Gateway Development
- Mitigating the Social/Community Impacts of a Trade-Focused National Transportation Systems Policy

A Focus on Consumers and Users of the System

Manitoba considers that national policy—whether in form of statute, regulations, guidelines, or even attitude—need put a clear policy priority on the needs of consumers and users of the system and the economy. Transportation is ultimately a derived demand and it is the users of the system such as shippers, communities and individuals that drive the use of the system to the economic and social benefit of Canada. Many other federal policy priorities that currently infiltrate the system—be it protection of carrier market share interests or federal revenue extraction interests—run the risk of making the system less than optimal from a user perspective. It follows that the federal institutional setting should be oriented to this principle. There are a few major areas where Manitoba considers national policy and practise are misaligned to this principle.

International Aviation

One of the underlying premises of the National Airports Policy (NAP) devolution initiative was that local communities, via their airports, would be able to market themselves and their regions to attract services and undertake economic development opportunities. Certainly, the community leadership of our major international airport—Winnipeg James Armstrong Richardson—has attempted to do so by successfully marketing new passenger services where international bilaterals permit. Manitoba has taken supportive steps in its recent 2015 budget by creating a fuel tax rebate for airlines developing non-stop service outside of continental North America.

Nonetheless, Manitoba remains concerned that the culture of the federal aviation bilateral approach—the legal basis of possible international services—does not support a community marketing or consumer focus to aviation development. Notwithstanding some progress in the federal Blue Skies program approach to bilaterals, Winnipeg is still not accessible as a barrier-free point of service in many of Canada’s bilateral agreements. We would like to see more international agreements that permit service from any point in one country to any point in the other country, as in the “Open Skies” Canada-U.S. agreement.

In its bilateral negotiations, Canada must consider that if no Canadian air carrier is interested in serving an international route, a foreign carrier should be allowed to operate the route without the requirement of a specific benefit to a Canadian carrier. Unique arrangements, such as multi-lateral negotiation approaches to blocs of strategic interest, and the application of 5th and 7th “freedoms” should be pursued with greater intent and mindfulness of community marketing interests. This would allow more medium-sized communities such as Winnipeg to market their destinations in a unique and successful fashion.

- 1. Manitoba recommends that the federal government adopt a consumer and community marketing focus in its aviation bilateral agreement approaches, such that cities, communities and regions’ opportunities to market and attract air services by carriers of either country are flexibly maximized.***

Domestic Aviation

Domestically, our local ability to develop new markets and services (or even to realize more consumer orientation in existing carrier services) comes down to the competitive state of the industry. Simply put, creating as competitive an institutional framework as possible in domestic aviation will allow better market opportunities for smaller and medium sized communities to evolve. There are many tools at the federal government’s disposal to instill this ethos—foreign carrier “rights of establishment”, for example, could be assessed. The most obvious and easily implementable one, though, would be to increase the foreign ownership limits in Canadian carriers. The current 25% foreign ownership limit prohibits greater investment in the Canadian aviation industry, precluding existing carriers’ renewal and limiting new entrant growth opportunities.

- 2. Manitoba recommends that the 25% foreign ownership limit for Canadian carriers be raised to at least 49%.***

Rail Policy

Manitoba cited a theme in its grain logistics submission that the current economic regulatory framework overseeing the rail mode remains favourable to the national rail carriers, against the reasonable interests of shippers. This inhibits a balanced playing field. Broad rail shipper organizations, such as the Coalition of Rail Shippers, the Freight Management Association of Canada, and the CTA Review Coalition continue to raise with the CTAR a gamut of legislative, regulatory and program amendments to equalize this playing field through mechanisms relating to balanced railway-shipper negotiations, service agreements and regulatory remedies. Reciprocal penalties on railways for non-performance, a reframing of rail service level definitions in the Act centred around the needs of users and the economy, and an enhanced proactive role for the Canadian Transportation Agency are key focal points.

While we do not propose to revisit the matter in whole here, much of what Manitoba expressed in its grain logistics submission is fully applicable to all rail-based sectors. Manitoba strongly reiterates that it is in thematic support with these shipper positions, as they will re-orient the rail system to be more responsive to needs of users, from a rail competitive and behavioural perspective. These proposed advances for shippers are consistent with the principle that national policy should align with a focus on consumers and users of the system.

- 3. *Manitoba recommends that federal rail policy—via its range of applicable legislative, regulatory, policy and program actions—be re-oriented to be principled upon the needs of users of the system and the economy.***

Information Sharing and Transparency

A consumer and economy-oriented policy and development approach demands a level of shared supply chain information that is sorely lacking in the Canadian context. While Manitoba favours competition as the basis to achieve best transportation service outcomes, the outputs of any framework still need be monitored to ensure they are aligned and supporting the national economic interest. As well, as supply chains—and the relationships and roles within them—become more and more complex, the possibility of actors working at cross-purposes becomes more realistic. Add to this the evolving concerns over system capacity and limited public finances for transportation, it becomes all the more important for a modicum of system coordination and planning to occur. This entails a need for a common platform of shared national transportation and trade statistics, performance data and supply chain industry information at all levels to support policy and infrastructure development.

Manitoba believes there is a compelling need to improve the availability of micro-level performance data from modal carriers and service providers as well as collecting and disseminating better macro-level aggregate information on commodity flows and supply chain measures. It is important that such information be gathered and tabulated uniformly to ensure consistency across all transportation providers and be made available to all involved stakeholders. This will not only improve regional economic development but also allow policy makers to adequately address pressing issues such as optimizing infrastructure, adapting to

climate change, ensuring public safety and being responsive to national and global socio-economic changes.

For example, the national railways continue to refine their business models to evolve into corridor “pipelines” between major origin/destination hubs. An emergent policy concern of this evolution is that regional economies not fitting into this mold may suffer from less-than-optimal rail-based capacity, service and pricing offerings, and suffer in trying to market and attract trade-oriented growth. Witness the fact that container supply has long been constrained in the prairies according to shippers, even while empty containers are whisked through the prairie landscape to the west coast. Performance data on transportation capacity, service and pricing offered in regional markets in the context of these evolving carrier business models will be important to understand, to ensure the broad policies underpinning the system are reasonably meeting the needs of all regions.

Given that much of the system is under federal jurisdiction, this will require a concerted policy and program effort on the part of the federal government to compel appropriate reporting by commercial actors, and thinking on the institutional framework. Manitoba, in its grain logistics submission, raised the role of an expanded Canadian Transportation Agency for such purposes. Other community-based public interest players—Canadian Port Authorities, for example—could also lead as repositories for specific regional supply chain information development and performance assessment.

4. Manitoba recommends that a national framework for the development and sharing of transportation system and supply chain information and performance measurement be developed, including at the regional and corridor impact level.

Provinces, given their growing role in infrastructure and service provision and trade-focussed actions, must be a full part of this framework. Manitoba raised a specific recommendation on this matter in its grain logistics submission.

5. Manitoba recommends that the Canada Transportation Act be amended to allow for the sharing of transportation information between the federal government and the provinces, upon provincial request.

Federal Financial Neutrality Toward Transportation

Although not stated, a core federal policy toward transportation has been to use it for general revenue extraction purposes. Allowing this policy stance to continue unchanged is detrimental to the health of the transportation system and its ability to meet user needs and Canada’s global economic competitiveness across several sectors. Manitoba considers that a key performance principle and goal in preparing the system for global competitiveness should be “federal financial neutrality”. In essence, this means that the federal policy and program regime should be institutionally grounded to a requirement that the federal government put back into transportation what it takes out in the form of direct transportation-derived activity revenues. Flipped on its side, a corollary principle is that the federal government reduce its extraction of revenue from the system to correlate to its expenditure levels.

Aviation and Airports

Manitoba believes much of the aviation policy efforts in the last two decades—deregulation of the domestic air services market, airport and air navigation system devolution, the U.S. Open Skies Treaty—have been sound public policy in concept.

However, any policy framework, especially one that creates a more deregulated regime, must be accompanied by a supportive fiscal framework for the system as well. In this respect, Manitoba remains concerned that the federal practice of extracting revenue from the aviation system (more than its investment in the system would reasonably warrant) is rendering many of these positive federal initiatives as moot. This is resulting in a financial deficit that is undermining the competitiveness and viability of our aviation transportation system.

The impacts of this policy approach compound other controllable structural elements in the Canadian aviation system—a lack of competition for example—that helps makes Canadian aviation high-cost. The impacts are detrimental and insidious to our basic economic interests in many sectors. Take tourism, for example. Canada’s tourism sector cites excessively high aviation costs and charges (Canada is ranked 124th out of 140 countries) as a key reason for Canada’s rapid decline in international tourism market share. A recent Deloitte report demonstrates that increases to Canada’s international tourism arrivals has a subsequent positive impact on trade volumes between Canada and those countries. Meanwhile, numerous studies are also showing our airports are bleeding passengers to border American airports, reducing local economic activity and opportunities.

National Airport System (NAS) & Federal Rent

Manitoba agrees that the federal devolution of NAS airports to locally managed entities can and has better served the public interest. However, the withdrawal of federal control of airports has not been accompanied by a concerted effort to establish a fiscal framework that permits these local airport entities to flourish.

A premise of the NAP was that the federal government would be “financially no worse off”. Before NAP, airport ownership, operation, and maintenance was costing Transport Canada about \$200 million annually. The airports are now paying more than \$300 million in rent each year. The federal government is more than \$500 million better off on an annual basis, with the disparity growing each year, particularly as airport revenues grow.

This rent revenue practice has forced airports to implement and increase passenger fees and landing and terminal charges to maintain viability and provide for capital programs at an overall cost to the aviation system. In most cases these federal lands were encumbered by out-dated facilities at, or nearing the end of their useful lives. Manitoba sees no reasonable rationale to justify the continued collection of rent by the federal government from National Airport System (NAS) airport authorities.

6. Manitoba recommends that national airport rents be reduced or abolished.

Air Travellers Security Charge (ATSC)

While aviation safety and security are paramount and not to be compromised, Manitoba is concerned about the financial foundations of air security enhancements via the ATSC since the events of “9/11”.

Revenue from the ATSC is currently not specifically dedicated to air transportation security nor collected by the Canadian Air Transport Security Authority (CATSA), but accrues to the federal government general revenue account. The fee level and the revenue generated are apparently not related to the costs of the enhanced security measures. For example, ATSC revenue for the year ending March 31, 2014 exceeded by approximately \$100 million the amount required for CATSA, according to the federal Department of Finance.

While enhanced security measures help boost consumer and public confidence in air travel, the ATSC is partially being used as a federal revenue tool. This adds costs to the system, deterring air travel and impeding the role of the air transportation industry.

7. *Manitoba recommends that the Air Transport Security Charge be eliminated and funded from general revenues, or at minimum reduced to the level of program delivery needs.*

Highway Infrastructure

Much of the recent public debate on trade infrastructure funding—including highways—appears focused on expanding the use of non-traditional funding mechanisms. Public-private partnerships and infrastructure banks, for example, are popular concepts. These are legitimate areas of policy exploration. No doubt, it is important to explore all measures to realize more contributions to the infrastructure that enables our productivity and Manitoba looks forward to the CTAR perspective of this item. That being said, lost or downplayed in these conjectures is the continued minimal federal role, relative to its road-activity based revenues, in investing in trade-supporting highway infrastructure.

Manitoba is appreciative of any federal highway programming support and has co-partnered actively in the Build Canada Fund (BCF) arrangements since 2006, certain of which funding envelopes have supported key provincial highway projects over the years. As well, we recognize that a portion of federal gas tax revenue is earmarked for municipal projects via the Gas Tax Fund, of which several of the eligible funding categories are also in transportation. Nonetheless, the federal government still collects upwards of \$8 billion in road use fuel taxes annually (Excise and GST), which is not “equalized” through transportation oriented expenditures under the BCF and Gas Tax Fund.

Manitoba, through our *Gas Tax Accountability Act* enacted in 2004, is required to provide as much funding annually to the road/highway system as it extracts in the form of road use fuel taxes. Other jurisdictions, whether formally or not, are also investing in highway infrastructure beyond their road use revenue extraction. For highways, the principle of financial neutrality toward transportation at the provincial level is being adhered to closely, and exceeded in most cases.

Much of the highway funding in Manitoba is dedicated to key routes that are part of the approved National Highway System (NHS) concept and therefore are proven to serve international trade. Studies undertaken by the University of Manitoba Transport Institute demonstrate a significant share of the usage of our highway infrastructure is non-provincial origin/destination, or in-transit trade. It remains incongruous that the significant lion's share of funding of these corridors, which are of direct trade benefit to Canada and other jurisdictions, rests on provincial shoulders. Truly, on this basis, there should be a more robust role for the federal government in key highway funding.

Contrast this context with the U.S. approach to its interstate system, where federal fuel taxes are placed in a highway trust for dedication to financing the U.S. interstate system. Canada is one of few nations that does not have a predominantly nationally funded national highway system. In an era where international trade increasingly comprises our nation's GDP growth prospects, this lack of a federal role cannot continue to be overlooked.

- 8. Manitoba recommends that the federal government provide long-term, stable, and equitable funding to highways comprising the National Highway System (NHS), directly linked to a reasonable return of a portion of federal road activity fuel tax revenue.***

Federal Leadership on Northern, Rural and Remote Transportation Infrastructure and Services

Not all investments and their return on the public good can be measured and stated in traditional economic cost-benefit terms. Indeed, large parts of our nation's development was tied to bold nation-building actions in transportation that were undertaken for purposes of territorial consolidation and settlement, social cohesion, securement of long-term economic opportunities (i.e. John Diefenbaker's "Roads to Resources") and to meet core Canadian social values of the rights of all citizens to access basic mobility and economic opportunities no matter their place of residence.

With the federal withdrawal from the ownership and operation of large parts of the system in the past decades, Manitoba is concerned this federal leadership is becoming lost. Manitoba wishes to reiterate that the federal government not lose focus on the need for a continued federal leadership role in transportation investments in less economically quantifiable arenas and geographical regions of Canada. Manitoba would point to few specific areas of importance to our society—in particular, to the needs of our rural and northern communities.

Northern/Remote Rail Services

A large swath of northern Manitoba is reliant on rail-based access for their economic and social access needs. Freight and passenger rail services are provided on more than 800 miles of railway lines in northern Manitoba, which includes the 545 miles of railway from The Pas to Churchill, known as the "Bay Line" and operated by the Hudson Bay Railway. The Keewatin Railway Company—Canada's first First-Nations-owned railway company—operates a route of 185 miles from Sherritt Junction (near Flin Flon) to Pukatawagan. Passenger rail services are provided by VIA Rail, through various contracting arrangements with the owners.

Living in remote, sparsely populated regions in the north presents logistical challenges that can increase the cost of transporting goods and passengers and substantially contributes to the cost of living, as well as impacting quality of life for people residing within these northern regions. Access to dependable rail service is a critical issue for these communities. For example, in Manitoba, six remote, rail-only northern communities rely on rail service as the only surface transportation option for freight and personal mobility: Churchill, War Lake First Nation, Ilford, Pikwitonei, Thicket Portage and Pukatawagan.

In the recent past, Manitoba and the federal government have enjoyed a partnership approach to public interest support considerations for the northern rail system. Financial support of \$60 million, cost-shared between Manitoba, Canada and OmniTRAX between 2009 and 2018 for infrastructure improvements along the Bay Line have had a positive impact on operations, as it has allowed for better train speeds and more reliable service. The governments also partnered in support of the purchase of the line to Pukatawagan by the Keewatin Railway Company. This federal leadership and cooperative partnership on northern rail has been appreciated and for certainty should be codified.

9. Manitoba recommends that the federal government confirm in legislation and outline a long term plan for continued federal leadership in providing passenger rail services and general rail programming in remote regions of Canada, including Northern Manitoba.

In our grain logistics submission, Manitoba spoke to a recommended federal role to support the beneficial economic role of the Port of Churchill within the grain industry. Such actions, such as a unique Churchill rail interswitching zone, extension of the current Churchill grain subsidy, and federal programming to help realize an extended shipping season, may enable a better commercial basis for the system, including the Bay Line. These actions would be compatible with the referenced recommendation above, insofar that they would help defray pressures that would accrue to governments should the system not be provided some tools to succeed commercially.

Transportation Systems Development to Remote Northern First Nations

There are roughly 30,000 people in 24 northern remote communities in northern Manitoba. These communities are mostly located north of the south basin of Lake Winnipeg, primarily on the eastern side of the Province. Most of the people in these communities are aboriginal citizens. Manitoba abides by a duty to provide these citizens with better mobility, connectivity and economic means through transportation. It suffices to say, this context remains a unique but important driver of the need for transportation investment by all governments. For example, Manitoba has long supported the aviation connectivity and public service delivery needs of these communities by operating remote community airports at a cost of over \$17 million annually.

Manitoba is appreciative of any federal programming commitments—for example, a recent federal announcement to link the Ojibway First Nation communities of Pauingassi and Little Grand Rapids by road was welcome. As well, an annual winter road effort of approximately 2,500 km is cost-shared with the federal department of Aboriginal Affairs and Northern Development. But these federal efforts are relatively few to the overall need.

The current federal investment approach to remote First Nations in the area of transportation system support occurs externally and as “one-off” to carefully developed, planned and prioritized provincial efforts. By contrast, provincial planning and implementation efforts have yielded impressive consensus on system infrastructure priorities linking communities. Manitoba’s efforts are carefully tailored to the social and economic development needs of these communities, as witnessed by the creation of our East Side Road Authority (ESRA). ESRA a special legislatively created agency designed to deliver transport systems and associated benefits to these communities. As a signature initiative, ESRA is committing \$1.125 billion over 15 years to link 13 remote First Nations on the east side of Lake Winnipeg to the all-weather highway network in Manitoba.

Manitoba invites the federal government to build and synergize its efforts with our actions, within the rubric of a renewed federal approach to northern and remote connectivity needs. The current limited-funding, patchwork approach to systems development from the federal level is incongruous insofar that of the 24 described communities, 22 are either solely federal responsibility or a shared responsibility with the province. The federal government is ultimately—via the economic and social success of these communities—a key beneficiary of improved transportation systems to First Nations remote communities.

More needs to be done, both from a federal funding support perspective, and from a collaboration perspective with the province (as the lead jurisdiction in systems transportation implementation supporting remote communities).

10. Manitoba recommends that the federal government—while respecting provincial jurisdiction—work in greater collaboration with Manitoba from a long-term funding and planning perspective to enhance transportation system development in support of remote and northern First Nations.

Small/Rural Airport Viability

Available studies into the viability of smaller airports have long arrived at one essential conclusion; small rural airports are unable to meet their operational cost requirements or make sufficient contributions to capital. Many of these were off-loaded from the federal government to rural communities. Increasing federal airport safety rules of high cost with questionable safety value—for example, Canadian Aviation Regulation 308 and Runway End Safety Areas—are adding to this burden. The result is the progressive deterioration of small airports in Canada, precluding their development as economic enablers for rural Manitoba.

Stemming from the aforementioned principle of federal financial neutrality, the federal government is deriving more than sufficient revenues from the airport and air transportation system to ensure the maintenance of the overall system of airports. Through an enriched Airport Capital Assistance Program (ACAP) or via other redistributive mechanisms, the federal government should return some funds into the small airport system to reasonably support its viability.

Manitoba remains concerned that the small airports system should not be folded into other broad sectoral or regional programs, and that they continue to be supported by Transport Canada as an essential part of the overall aviation system in Canada. Aviation in all facets is a federal jurisdiction.

11. Manitoba recommends that the federal government take measures to ensure the long-term viability of small airports in the context of the airport system as a whole.

Rural Shortlines

Since the passage of the CTA in 1996, a significant shortline and regional railway industry has been established. In Manitoba, shortlines or regional railways now operate 1/3 of the track infrastructure. Notwithstanding, Manitoba is increasingly concerned about shortline and regional railway viability, and their long-term sustainability.

These railways have a difficult structural setting. Freight revenues are artificially set by the Class 1 carriers and not truly linked to ongoing operating costs and longer-term investment needs. Increasing federal regulatory stringencies—new costly grade-crossing requirements, higher liability requirements, and safety management systems to name a few—have the potential to squeeze an industry with already narrow margins. All told, the industry shift to heavier loading and faster track speeds that shippers demand are beyond financial means of short lines, as many were “spun off” in a rail-roading era of lighter rail and bridges.

As a result, like with small airports, requests for governmental financial support from shortline and regional railways is becoming more and more commonplace. This evolving matter is important insofar that non-Class 1 railways account for one in five loads originating on Canadian railways. Many rural communities rely on shortline infrastructure and services for economic productivity and opportunity.

The sector’s healthy operation is clearly of net public benefit for Canada. Again, contrasting with Canada, this public interest is fully recognized in the U.S. where federal leadership and programming—largely in the form of tax credit programs and grants to state agencies—are available to support the industry. While Manitoba appreciates that shortline projects are eligible under some of the BCF envelopes, the reality is municipalities tend to prioritize BCF funds for their own assets. Manitoba considers this matter of sufficient importance such that a dedicated federal program effort is warranted.

This problem was acknowledged by the original 2001 Canada Transportation Act Review Panel in its Final Report, but interestingly, the Panel chose not to address it in its recommendations. We hope the CTAR 2015 will correct this previous oversight. Even small steps, such as allowing shortlines to be eligible for the federal grade crossing funding program, will help.

12. Manitoba recommends that the federal government establish dedicated programming to support the regional and short line railway industry, including shortline access to the federal grade crossing program funding.

Focus on Enhancing Canada's Trade Gateway Development

Manitoba has a fairly diverse economy with no overriding dependence on any one sector. Interprovincial and international trade in goods and services is valued at over \$60 billion. Being a fairly small province in terms of a domestic market, our businesses need to export their merchandise and services in order to thrive. In order to continue to grow our trade-based economy, Manitoba must adapt to global realities and apply our known competitive advantages.

Within this context, a long-standing key part of Manitoba's trade-oriented economic vision is to continue to evolve as a centre of transportation and logistics-focused economic activity. For example, Manitoba's transportation and warehousing sectors continue to comprise a high level of our GDP relative to other jurisdictions.

This vision implies a certain strategic focus, which in the realm of transportation is intended to leverage Manitoba's central location at the cross roads of several multi-modal trade streams. Our unique transportation attributes—a leading cargo airport in Winnipeg, three continental railways, the Port of Churchill, and the Pembina-Emerson Port of Entry—both enable and re-inforce the development of trade-based activities. In the further context of our economic diversity, good economic and fiscal fundamentals, established labour force, and excellent land and energy costs, we believe that further developing our robust transportation attributes will help meet our vision as a global logistics, distribution and trade gateway with the benefits this confers to Canada.

One of our signature initiatives is the development of CentrePort Canada Inland Port. CentrePort is a 20,000 acre inland port and global logistics trade facility under development in the northwest part of Manitoba's capital region. It was launched by an act of the Legislature of Manitoba in 2008, which created a non-share private corporation to facilitate its development. It is being supported by: unique land use planning and designation measures to speed and ease development; tax increment financing; and, core infrastructure support (highway access and utilities). It is located in a proven logistics-centric area with the airport, a major rail yard, and major trucking/warehousing cluster in the vicinity. With access to three continental railways and to expressways linking to the U.S., CentrePort will derive from and add to the cluster of logistics to help drive global-based supply chains to locate and successfully function in Manitoba.

Manitoba is doing its part on the core trade infrastructure support side. Our 5-year core infrastructure program is putting over \$1.5 billion into international trade-enabling highway infrastructure, the highest levels in Manitoba history. Certainly, action on our previous recommendation for increased federal programming for the national highway system will help. However, there are a lot of "softer" actions that can be achieved from the national policy and program side to synergize with these hard investments in core trade infrastructure.

To compete in the new global economy means enhancing our national competitive proposition in the eyes of global value-added supply chains. This is partially tied to our national ability to establish "best-in-class" trade processes through integrated transportation and trade systems and facilities. From this, Manitoba considers that a key focus of federal policy and programming should be to capitalize on the unique trade-enhancing assets that all jurisdictions bring to the table and work to position them as the highest and best expression of our national

competitiveness in the new global trading order. The following should be further pursued by the federal government, to facilitate this vision.

Mid-Continent Corridor - Expanding the Scope of Federally-Defined Gateways

Current officially-recognized gateways under the federal gateways and corridors policy are the Asia-Pacific Gateway, Continental Gateway and Atlantic Gateway. Manitoba “falls” within the Asia-Pacific category. To be clear, Manitoba was and is supportive of the gateway program, and has appreciated federal support under the Asia-Pacific envelope for a key infrastructure work—CentrePort Canada Way expressway linking our inland port to the Winnipeg Perimeter Highway. That being said, Manitoba considers that the federal gateway program hasn’t optimally incorporated from an infrastructure and marketing support perspective the key Manitoba land-based gateway to our largest trade partner, the U.S.

The Mid-Continent Corridor (also identified as the NAFTA Corridor) links Winnipeg south into the U.S. along Interstates 29 and 35, connecting all the way to Lazaro Cardenas, Mexico. The Corridor works as a strategic hub and trade funnel for east-west supply chain activity between BC and Northern Ontario connecting south into the U.S. market. For context, the Canada-U.S. Pembina-Emerson Port of Entry (PE-POE) alone has approximately 400,000 annual commercial movements and is the 5th busiest POE along the Canada-U.S. border with an annual trade position approaching \$20 billion.

The corridor links together a series of strategic continental markets that serve as crucial hubs for trade, transportation and value added activity (Winnipeg, Kansas City, Dallas-Fort Worth, Guanajuato). For these markets to continue to direct and support large volumes of trade/transportation activity, specialized programming and infrastructure investments must continue to keep pace the changing demands of the market place.

13. Manitoba recommends that the federal government include the Mid-Continent Corridor as one of the federally recognized Gateways, and work with Manitoba to ensure strategic marketing, programming, infrastructure investments and bi-national prioritizations are put in place to optimize the efficiency of this important continental trade artery.

Geographically-Defined Foreign Trade Zones (FTZ)

FTZs are generally acknowledged in literature as physically-defined locations that incentivize internationally-oriented trade activity through enhanced efficiency of trade transactional processes—often via deferral and relaxation of customs requirements. In Canada, though, FTZ-like programming—such as Duty Deferral Program (DDP) and the Export Distributions Centre Program (EDCP)—does not have a geographical scope, instead being firm-oriented. This has resulted in FTZ programming that is difficult to market to international investors, relative to our trade competitors like the U.S who frame their FTZ programs within geographical parameters.

Evolving inland ports like CentrePort Canada—which are marketed on trade incentivizations—are ideal candidates to be assessed for any geographically-prescribed FTZ zone measures. The advantages could be numerous, and are worth assessing carefully. For example, federal customs

deferral programming is trepidatious to smaller and medium sized enterprises, as application costs and administrative complexities are high. A zone concept, on the other hand, could allow an inland port operator to act in a proxy capacity for smaller entrepreneurs. An inland port operator could be certified under appropriate federal programming with measures allowing smaller tenants the option to operate with FTZ supports under the umbrella of the inland port's certifications.

14. Manitoba recommends that the federal government comprehensively assess the utility to our trading competitiveness of developing geographically registerable foreign trade zones and the role of evolving inland ports within this assessment.

Leveraging Pre-Clearance

Just as pre-clearance at Canadian airports has proven a simple, beneficial action to smooth transborder air travel, so too should cargo pre-clearance in all modes be pursued with the same vigorous goal in mind—to facilitate trade of low-risk, trusted cargo movements. Manitoba was pleased to learn of the federal cargo pre-clearance pilots occurring under the Beyond the Border (BTB) action plan. Current pre-clearance efforts, though, appear to be focussed on a policy of operational expediency, occurring “near-the-border” where space limitations exist at the border (e.g. current Peace Bridge scenario). Manitoba suggests that pre-clearance as a trade-processing mechanism be pursued strategically, for competitive advantage reasons as a synergistic and complementary goal to the aforementioned recommendation on assessing geographically-based FTZs in inland ports. In Manitoba, CentrePort Canada is ideally placed to be an innovator to develop such a product offering.

Manitoba views this amalgamation of FTZ-trade facilitation and pre-clearance/inspection services as a natural progression in developing best-in-class trade facilities. In other words, FTZs could be uniquely developed and marketed as super-trade facilitation and clearance clusters, with an FTZ entity (such as CentrePort Canada in Manitoba) acting in a broad co-ordinating and synergizing capacity of these trade supporting elements. Manitoba is aware of similar initiatives in U.S. inland ports—Kansas City's efforts to develop a Mexican customs pre-clearance presence—that would confer competitive international trade advantages to them. Canada must keep up with the innovative steps its competitors are taking.

15. Manitoba recommends the federal government assess the advantages and synergies of developing inland pre-clearance and inspection functions within geographically prescribed FTZs, and the role of evolving inland ports within this assessment.

Intelligent Transportation Systems

A vision to develop best-in-class trade facilitation clusters needs other ancillary measures to become reality. The vision needs the build out of on and off-site compatible intelligent transportation systems (ITS) architecture and infrastructures to permit for freight security, expediency and tracking along key corridors. Manitoba, for example, is being proactive in this regard by accommodating express processing (ie, pre-clearance vehicles) for commercial traffic

in the design of truck freight lanes and supporting ITS architecture utility requirements in our current functional design work for the Pembina-Emerson POE.

While Manitoba has led this particular planning process to date, the reality is that given the bi-national infrastructure and policy requirements of developing and implementing such an architecture, federal leadership is imperative.

16. Manitoba recommends that the federal government assume a leadership position to develop the intelligent transportation systems architecture necessary to support the development of key trade corridors linking inland port trade facilitation centres to key international market access points, including at the border.

Airport-Adjacent Development Processes

Many jurisdictions are seizing upon the economic-inducing role of airports to derive trade facilitation initiatives. For example, in Manitoba, CentrePort Canada's footprint includes the Winnipeg International Airport. This brings enormous marketing and development advantages. But it also brings larger planning challenges for inland ports insofar that airports have height and activity-related protections in place on airport-adjacent lands to ensure safe aviation operations.

These restrictions are often in the form of federal regulations, and not expressed or understandable to the larger inland port planning community in a fashion that lends itself to working with them easily and readily. For example, with regard to height restrictions, each potential development on adjacent lands currently requires a time-consuming surveying effort with multiple check-ins at the Nav Canada and Transport Canada level.

In our limited exposure to this matter to date, the cooperation from these federal agencies and the Winnipeg Airports Authority has been exemplary; however, the process requirements could benefit from re-assessment, particularly given modern spatial surveying tools. For example, blanket approvals based on independent, qualified three-dimensional spatial surveys could be assessed to accompany the regulations. This would support easier and more timely planning and development decisions.

17. Manitoba recommends—in light of growing trade development initiatives centered around airports and without comprising safety—that the federal government assess its framework processes on height and activity approvals on airport-adjacent lands, from the perspective of synergizing more with the marketing, development needs and realities of inland ports.

Mitigating the Social/Community Impacts of a Trade-Focused National Transportation Systems Policy

Manitoba is supportive of a vision of a trade-focused transportation system. However, an unintended consequence of growing our trade capacity and the transportation systems supporting it will be a concurrent impact on community/citizen quality of life. The value system of our citizenry is evolving in regards to expectations on quality of life. As linked to industrial transportation activity impacts, citizens are simply more sensitive to transportation impacts on

urban design, air/noise quality, mobility options, personal time, neighbourhood livability, public services delivery and so on.

To make meaningful steps to a trade-focussed transportation vision, Manitoba considers that governments will have to incorporate—more strongly than they have to date—a changed culture, institutions and program measures to mitigate and reduce the impacts of transport systems development on quality of life.

Balancing Railway Operations and Their Impact on Communities

This is never more apparent than in the rail mode. To be clear, Manitoba values the contribution to the economy and the transportation system that railways provide and believes railways have every right as private entities to make business and operational decisions within a market framework. However, railways are unlike most other industrial entities—their operations cover a wide geographic swath of land, and often impact in very real, tangible and immediate ways the course of everyday life of citizens and communities

Both the rail industry and Canadian communities have seen significant changes over the last number of years. Communities are expanding, and new road infrastructure and neighborhoods are being developed. With regards to the rail industry, we are seeing an ever increasing volume of rail traffic, and longer and heavier trains. The result is greater public contact and exposure to train operations. In the face of catastrophes like Lac Mégantic and the seemingly exponential growth in oil unit trains, the public has a heightened awareness and concern regarding the movement of dangerous goods by rail, particularly in urban areas.

Manitoba, as an existing rail centre where the national mainlines converge, is seeing some of the unintended effects of a trade-oriented federal policy and program framework. For example, under the Asia-Pacific Corridor & Gateway Initiative the development of the Prince Rupert container facility in 2006 has now added significant rail traffic through Winnipeg. The attendant social impacts will be exacerbated as the second phase of Prince Rupert goes into action and as Vancouver similarly expands its inbound container market share.

Manitoba acknowledges the many progressive federal actions being undertaken on the rail operations safety front since Lac Mégantic. These measures will help address certain of the social cost and risk elements that have been heightened by a trade-focussed agenda. While we have been participants in some of those processes (ie, the Agency's railway insurance consultations), it still remains very noteworthy that there are few real avenues for community and other public interests to be reflected in the very publicly impactful operational rule decisions of the federal government and national railways.

We continue to raise issues under the rubric of safe railway operations directly with the federal government that we won't exhaustively chronicle here, as they fall under the federal Railway Safety Act (RSA). Manitoba considers though that there has been such a sea-change in public attitudes to railway safety, that a review of the way operational rules of significant public impact are developed is overdue. For example, Manitoba is not aware of any process to require major

railway operational rule changes of a public impact dimension—such as longer trains—to be accompanied by social cost impact statements and proposed mitigative actions.

18. Manitoba recommends that the federal government’s railway operating rule development regime be assessed from the perspective of enhancing public interest transparency and participation.

There is and will continue to be greater interface between railway operations and the public and the attendant risk and problems this poses. The externalized social and environmental costs and risks, though, should not continue to be disproportionately borne by communities. If part of the causality is permissiveness of federal rules (longer trains), and if part of the causality is stated federal policy objectives (ie, policy to increase Canada’s North American in-bound container share), then it stands to reason that part of the federal role should be dedicated stewardship to meet the social and environmental challenges brought forth by these conscious policy actions.

Rail Line Rationalization in Urban Centres

One area Manitoba recommends for federal leadership is in the relocation and rationalization of the railway footprint from urban cores. In Winnipeg, for example, Canadian National Railway, Canadian Pacific Railway, and Burlington Northern Santa Fe’s lines and yards traverse the city and result in attendant negative livability and planning issues, such as noise, congestion at crossings and bifurcation of neighbourhoods. The rail-community proximity conflict matter has become so significant that for the first time the two major prioritized public infrastructure projects in Winnipeg are now proposed to be grade separations—at a cost of over \$500 million combined!

There is a further reason to pursue rail rationalization within the context of our national trade gateway development vision. That is, we collectively should be preparing our major urban centres to be optimized in terms rail and road-based transportation efficiencies. This would permit for the highest possible logistics value proposition to be offered for locating rail-based businesses, in particular.

Within these two contexts, Manitoba suggests a federal vision and action plan of rail rationalization and relocation is required. The cost implications alone simply demand a strong federal leadership role. Disappointingly, Manitoba has noticed that the *only* dedicated federal programming designed to mitigate railway impacts—the federal grade crossing program—has been significantly reduced in scope in the past year.

19. Manitoba recommends that the federal government include social/community impact mitigation criteria in its railway legislative, policy and programming frameworks, including the specific development of dedicated rail relocation authorities and programming.

The federal government already has active legislation to deal with rail rationalization, in the form of the *Rail Relocation and Crossing Act*, but it long remains un-funded and need be reviewed. Manitoba considers that this legislation should be updated, and that federal funding made

available within it to allow communities a mechanism to assess and legitimately undertake prioritized rail rationalization opportunities.

Conclusion

The task you have before you is important, as your recommendations will help shape national transportation policy for decades to come. We therefore trust that the recommendations and other general considerations in our submission will support the Review's deliberations.

SUMMARY OF RECOMMENDATIONS

A Focus on Consumers and Users of the System

International Aviation

1. *Manitoba recommends that the federal government adopt a consumer and community marketing focus in its aviation bilateral agreement approaches, such that cities, communities and regions' opportunities to market and attract air services by carriers of either country are flexibly maximized.*

Domestic Aviation

2. *Manitoba recommends that the 25% foreign ownership limit for Canadian carriers be raised to at least 49%.*

Rail Policy

3. *Manitoba recommends that federal rail policy—via its range of applicable legislative, regulatory, policy and program actions—be re-oriented to be principled upon the needs of users of the system and the economy.*

Information Sharing and Transparency

4. *Manitoba recommends that a national framework for the development and sharing of transportation system and supply chain information and performance measurement be developed, including at the regional and corridor impact level.*
5. *Manitoba recommends that the Canada Transportation Act be amended to allow for the sharing of transportation information between the federal government and the provinces, upon provincial request.*

Federal Financial Neutrality Toward Transportation

Aviation and Airports

6. *Manitoba recommends that national airport rents be reduced or abolished.*
7. *Manitoba recommends that the Air Transport Security Charge be eliminated and funded from general revenues, or at minimum reduced to the level of program delivery needs.*

Highway Infrastructure

- 8. Manitoba recommends that the federal government provide long-term, stable, and equitable funding to highways comprising the National Highway System (NHS), directly linked to a reasonable return of a portion of federal road activity fuel tax revenue.*

Federal Leadership on Northern, Rural and Remote Transportation Infrastructure and Services

Northern/Remote Rail Services

- 9. Manitoba recommends that the federal government confirm in legislation and outline a long term plan for continued federal leadership in providing passenger rail services and general rail programming in remote regions of Canada, including Northern Manitoba.*

Transportation Systems Development to Remote Northern First Nations

- 10. Manitoba recommends that the federal government—while respecting provincial jurisdiction—work in greater collaboration with Manitoba from a long-term funding and planning perspective to enhance transportation system development in support of remote and northern First Nations.*

Small/Rural Airport Viability

- 11. Manitoba recommends that the federal government take measures to ensure the long-term viability of small airports in the context of the airport system as a whole.*

Rural Shortlines

- 12. Manitoba recommends that the federal government establish dedicated programming to support the regional and short line railway industry, including shortline access to the federal grade crossing program funding.*

Focus on Enhancing Canada's Trade Gateway Development

Mid-Continent Corridor - Expanding the Scope of Federally-Defined Gateways

- 13. Manitoba recommends that the federal government include the Mid-Continent Corridor as one of the federally recognized Gateways, and work with Manitoba to ensure strategic marketing, programming, infrastructure investments and bi-national prioritizations are put in place to optimize the efficiency of this important continental trade artery.*

Geographically-Defined Foreign Trade Zones (FTZ)

- 14. Manitoba recommends that the federal government comprehensively assess the utility to our trading competitiveness of developing geographically registerable foreign trade zones and the role of evolving inland ports within this assessment.*

Leveraging Pre-Clearance

- 15. Manitoba recommends the federal government assess the advantages and synergies of developing inland pre-clearance and inspection functions within geographically prescribed FTZs, and the role of evolving inland ports within this assessment.*

Intelligent Transportation Systems

- 16. Manitoba recommends that the federal government assume a leadership position to develop the intelligent transportation systems architecture necessary to support the development of key trade corridors linking inland port trade facilitation centres to key international market access points, including at the border.*

Airport-Adjacent Development Processes

- 17. Manitoba recommends—in light of growing trade development initiatives centered around airports and without comprising safety—that the federal government assess its framework processes on height and activity approvals on airport-adjacent lands, from the perspective of synergizing more with the marketing, development needs and realities of inland ports.*

Mitigating the Social/Community Impacts of a Trade-Focused National Transportation Systems Policy

Balancing Railway Operations and Their Impact on Communities

- 18. Manitoba recommends that the federal government's railway operating rule development regime be assessed from the perspective of enhancing public interest transparency and participation.*
- 19. Manitoba recommends that the federal government include social/community impact mitigation criteria in its railway legislative, policy and programming frameworks, including the specific development of dedicated rail relocation authorities and programming.*