



ASSOCIATION OF CANADIAN PORT AUTHORITIES  
ASSOCIATION DES ADMINISTRATIONS PORTUAIRES CANADIENNES

**Creating Jobs and Economic Growth by Investing in Canada's National Port System**

*How Canada can combine a 21<sup>st</sup> century trade agenda with a 21<sup>st</sup> century transportation logistics system*

**Submission by Wendy Zatylny, President  
Association of Canadian Port Authorities (ACPA)**

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## EXECUTIVE SUMMARY

With 90 per cent of everything we buy travelling by ship, maritime trade underpins the global economy. We buy, therefore we must ship.

Canada's 18 port authorities are world-class facilities that are at the heart of the global supply chains that define and enable 21<sup>st</sup> century international trade.

Canada's Port Authorities (CPAs) handle nearly two-thirds of the country's waterborne cargo and are pivotal in driving our country's economic growth. In the process, we create 250,000 direct and indirect jobs that pay higher-than-average wages. And with every one million tonnes of new cargo at Canada's ports generating 300 new jobs<sup>1</sup>, we are barely scratching the surface of our true potential.

But the shipping world is changing dramatically. Expanded trade is making our world smaller. Traditional trade patterns are shifting. Timing is critical and we must seize the moment.

While the expansion of Canadian trade presents a remarkable opportunity, we can only capitalize on it and increase our competitiveness through strengthened facilities and improved supply chain efficiencies.

The Association of Canadian Port Authorities (ACPA) is calling for investments in Canada's National Port System to see Canada become one of the Top 10 countries in the world for transportation logistics and supply chain efficiency.

Through ACPA's 2016 pre-budget submission, we are specifically requesting that the Government of Canada engage with Canada's Port Authorities to remove the barriers to financial flexibility, ensure our infrastructure can accommodate increasing trade demands and that our port security regime is strengthened.

### **Budget 2016 can address these requirements in the following three ways:**

1. Removing barriers to financial flexibility for ports by improving the amendment process for supplementary letters patent and providing flexibility on borrowing capabilities.
2. Providing a one-time injection of \$1.9 billion for the rehabilitation of existing port assets.
3. Allocating \$10 million towards the creation of a new port security program.

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

## **BACKGROUND**

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

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

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

The World Bank's 2014 Logistics Performance Index is an important ranking because it is an alternate measure for the efficiency of a nation's economy, and is indicative of a country's competitiveness. In 2014, Canada was ranked 12th — two spots higher than the previous year — but still out of the Top 10 ranking ACPA believes Canada should rightfully occupy.

## **EMPOWERING PORTS TO MAXIMIZE CANADA'S SUPPLY CHAIN AND TRADE EFFICIENCY**

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

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

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

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

### Recommendations:

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

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

### **REHABILITATION OF EXISTING PORT ASSETS**

Developing port infrastructure to meet ever-growing trade demands requires access to capital funding. An ACPA - Transport Canada<sup>2</sup> study of port infrastructure requirements found a capital investment requirement of \$5.8 billion to meet growing demand. Of this, \$1.9 billion (or 33%) is related to the rehabilitation of existing port assets. This public funding of strategic port infrastructure is needed to assist in maximizing Canada's economic output.

Of the \$1.9 billion investment needed to rehabilitate existing assets, \$792 million is needed for waterside infrastructure, \$758 million for landside infrastructure and \$358 million for intermodal/other infrastructure. Overwhelmingly, waterside infrastructure needs relate to wharf sub-structures and/or berth-face structures. The challenge for ports is finding financing for these necessary rehabilitative projects, as opposed to development projects, which have a higher return for investment.

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

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

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

### Recommendations:

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

### **SECURING CANADA'S PROSPERITY BY ENSURING PORT SECURITY**

Canada's ports are key nodes in the national and international supply chains that support Canada's growing economy. But ports do not just secure the safety of ships. The harbour jurisdiction of many Canadian Port Authorities include other transportation modes such as bridges, highways, rail yards, underwater pipelines, overhead electrical wires and even airports. This multimodal critical infrastructure aspect of ports creates a broad range of port security needs.

International trade is gaining more importance as Canada actively negotiates a broad array of free trade agreements (FTAs) with countries around the world. These FTAs will generate increased commodity throughputs in Canada's ports. In turn, growing trade will lead to further pressure on ports to protect the movement of passengers, commodities and energy supplies.

The world has dramatically changed over the past decade and it is critical that ports be provided with appropriate federal funding to support their security regime. Today, ports face competitive challenges in a dynamic and changing environment. For instance, U.S. ports continue to receive billions of dollars to meet their ongoing security requirements and continue to be supported from the *Port Security Grant Program* that provides up to \$100 million per year. Beyond competitive pressures, increasing safety and security threats, both physical and cyber, in Canada add to the complexity of port operations. Previously, ports improved their security facilities with federal financial support through the *Maritime Security Contribution Program*. However, this program had a fixed sunset clause and its funding support has lapsed.

It is essential that ports continue to enhance their security regimes to ensure the safety and security of Canada's economy and energy supplies within a constantly evolving threat environment. Ensuring the required level of port security will be increasingly difficult without federal support.

### Recommendations

- Establish a suitable, ongoing funding program to support the ports' security regime. ACPA is requesting an initial allocation of \$10 million to fund and oversee a new port security program.

Canada's ports underpin the country's economic and energy security. As such, they need to be as strong and resilient as possible in facing today's threats. The recommendations outlined in this budget submission are aimed at ensuring Canada's ports continue to remain safe and secure.

## **CONCLUSION**

As Canada's trade agenda continues to pick up steam, it is crucial that we take the necessary steps to ascend the ladder and improve our position as a leading trading nation and break into the World Bank's Top 10 trading nations in terms of supply chain efficiency.

We are confident we can improve our position with the Government of Canada on board, by engaging with Canada's ports to ensure our infrastructure is able to accommodate increasing trade demands and that our supply chains operate as smoothly and efficiently as possible.

As Canada continues to shine as a trading nation with a free and open economy, the time is now to pair 21st century trade with 21st century supply chain efficiency and excellence. And a key component of this preparation will be improving the ability of our ports to handle even more cargo.

Acting upon the recommendations contained in this submission will help Canada achieve and advance its global commercial agenda and the Canadian Port Authorities stand ready to help seize what truly is a golden opportunity.

We look forward to working with the Government of Canada on a partnership that will advance our shared objectives and move us forward – now and into the future.