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Chair

The Honourable Judy A. Sgro

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• (0900)

[English]

The Chair (Hon. Judy A. Sgro (Humber River—Black Creek, Lib.)): I am calling to order the meeting of the Standing Committee on Transport, Infrastructure and Communities. Pursuant to Standing Order 108(2), we are doing a study of the Canadian transportation and logistics strategy.

Welcome to our guests.

It's nice to see that our members are all up and ready for another long day today.

With us today we have Sonterra Ross, Chief Operating Officer for the Greater Victoria Harbour Authority. From the Nanaimo Port Authority, we have Ewan Moir, President and Chief Executive Officer. From the Vancouver Fraser Port Authority, we have Peter Xotta, Vice-President, Planning and Operations.

Ms. Ross, we'd like to start with you. Please keep it to five minutes so that committee members have plenty of time for questions.

Ms. Sonterra Ross (Chief Operating Officer, Greater Victoria Harbour Authority): Thank you very much.

Good morning, Madam Chair and members of the committee. Thank you very much for the opportunity to be with you today, and welcome to British Columbia.

My name is Sonterra Ross. I am the chief operating officer for the Greater Victoria Harbour Authority. On behalf of GVHA, I would like to commend you on this study you are undertaking. This is very critical for Canada as a whole, but especially here in B.C.

As a coastal province that serves as the country's gateway to Asia, we are in a particularly important position to offer and share valuable perspectives with you in the context of this study.

The Greater Victoria Harbour Authority is a non-profit corporation that owns and operates deep water, marina and upland land holdings in Victoria's harbour. These include Ogden Point, which is Canada's busiest cruise ship port of call.

During the 2017 season, we welcomed 239 ship calls. This year we'll have 245, and next year we're expecting close to 300 ship calls. This represents over \$130 million for the local economy in Victoria.

This is only one illustration of just how important the travel and tourism sector, and specifically the cruise business, is to Victoria and also to the well-being of British Columbia.

Any future strategy aimed at maximizing the potential of the western Canadian transportation logistics network must address how to further develop the capacity needed to support the booming cruise business here in British Columbia. Part of this consideration must focus on determining the capital investments required to enable Canada's incredible position as a key international destination for cruise ships.

Furthermore, it must look at the new processes and allowances that will allow the cruise business in B.C. to continue growing. One of these is to offer more U.S. pre-clearance sites.

We at GVHA have developed and are currently realizing our Ogden Point master plan. This is an expansion that will transform Victoria and allow us to capture even more economic benefits from the surging cruise business in British Columbia.

It is important to highlight that this major expansion is currently being done in collaboration with our first nations partners. We have two in Victoria, the Esquimalt First Nation and the Songhees First Nation, each of which has a board seat. They are also founding members of the Greater Victoria Harbour Authority. Partnership with our local first nations has always been of critical importance for us at GVHA, and we look forward to continuing that partnership with them as we realize our master plan.

As you continue your deliberations on the central planks of the future Canadian transportation and logistics strategy, I strongly encourage you to ensure that this plan takes into account the importance of cruises not only to the B.C. economy, but also to the Canadian economy, and what measures and decisions can be taken by government to ensure that this continues to be a profitable business.

Thank you, again, for allowing me to join you today. I am happy to answer any questions you may have.

The Chair: Thank you very much, Ms. Ross.

Mr. Xotta, go ahead.

Mr. Peter Xotta (Vice-President, Planning and Operations, Vancouver Fraser Port Authority): Thank you very much for giving us the opportunity to appear.

You'll hear a common theme across the port authorities around the importance of ports to the Canadian economy. I'll be brief about the Vancouver Fraser Port Authority. We're responsible, obviously, for the port of Vancouver. Our mandate under the Canada Marine Act is to ensure that port infrastructure is in place to meet Canada's trade objectives, while protecting the environment and considering the impact of port activity on local communities. That, as you can imagine, is becoming increasingly complex as we, like Victoria and Nanaimo, are experiencing tremendous opportunities for our gateways, and thus the Canadian economy.

Vancouver, of course, is the largest port in Canada by a significant margin. For those familiar with the Lower Mainland, our jurisdiction includes Burrard Inlet, the surrounding lands in downtown Vancouver, and much of the Fraser River, totalling 16,000 hectares of water and 1,000 hectares of land.

Interestingly, and significantly, we also have 16 municipalities that we interact with in terms of trying to facilitate that trade, and of course we intersect with the asserted and established territories of several treaty lands of the Coast Salish first nations.

Ports are important, as I've said. One in three dollars in Canada's trade in goods outside North America goes through the port of Vancouver, as well as significant volumes of regional and North American trade.

Capacity is needed. The port of Vancouver, together with other ports, acts as the gateway to Asia, and trade with Asia is expected to continue to grow, in particular with China and India, but many other nations' trade patterns with Canada are also increasing. In 2017, the port of Vancouver handled 142 million tonnes of cargo, up 5% from the prior year. We anticipate that number to reach 200 million within the next decade.

With forecast growth of 4% a year through the port of Vancouver alone this year, and even with all the planned expansions at west coast terminals, additional capacity in our container sector is also required.

A lot has been done to improve the port and surrounding infrastructure to increase capacity, much of it through various federal funding initiatives. We are thankful to have been successful in securing funding from them. With our partners in terminals and other stakeholders, the port has redirected most of the profits of the port authority back into increasing capacity to enable Canada's trade.

There are a number of barriers we're facing with regard to growth that, if left unresolved, will result in economic loss for Canada.

First and foremost, trade-enabling land needs protecting. We're very concerned about the critical shortage of trade-enabling industrial land in the Lower Mainland. Vancouver has the second-lowest availability rate across North America. It's predicted that Vancouver could run out of industrial land supply in the not-too-distant future.

Road and rail capacity constraints require continued focus. Since 2014, the port has been working with the province, the regional transportation authority through TransLink, and the industry to identify bottlenecks in the roads and railways that serve the port. One

of the impacts of this has been the ability to extend hours of operation and reduce impact on commuters.

Key focus areas have been the CP Rail Cascade subdivision, servicing the south shore of Burrard Inlet, and, more recently, the joint link section between New Westminster and Burrard Inlet, which serves the North Vancouver terminal complex and also hosts traffic from CN, VIA, Amtrak and Rocky Mountain Rail Tours.

Together, we've submitted funding applications to the federal government, through the national trade corridors fund, for a number of projects that will support Canada's growing trans-Pacific trade and protect the livability of local communities. In the summer, Minister Garneau announced more than \$200 million for these projects. We are anxious to move forward with them, and we are busy doing so.

We're concerned about the impact that Bill C-69 will have on investment in Canada. As a trading nation that aspires to more trade, Canada needs its ports to be ready to manage the increased movement of goods. This, of course, requires increased investment—in our case, usually to develop brownfield sites, to make them more efficient and intensify their operations to handle this emerging trade.

It's critical that environmental reviews of port-related projects be done in a way that protects the environment, first and foremost, but they must also allow for timely development to meet growing trade objectives. One of our concerns is that environmental permitting processes are getting more difficult and certainly more complex and costly, which will make Canada less desirable as a place for investment. As a nation, we need to find a way to protect the environment and make those decisions in a timely way.

● (0905)

Growth continues to put pressure on passenger and freight corridors. We recommend continued investment by Canada to improve road and rail. As commuter passenger numbers increase within the region, we need to look at how we're managing our passenger and cargo rail system. As it stands, we have freight and passenger rail sharing rail lines, which impacts our goods-moving capability and constrains passenger rail opportunities. Because of the growth of the region, both of these things need to be advanced, without prioritizing one over the other.

Turning to efficiency of operations, we recommend that the federal government continue investments made to date through the transportation 2030 program. We have a particular initiative called the supply chain visibility project, which we're working on with Transport Canada. It aims to provide much greater visibility of goods movement from origin to port, to help inform operating decisions, to help collaboration between various stakeholders, and ultimately to identify when bottlenecks require infrastructure investment to be addressed.

We also encourage the federal government to invest in port infrastructure and enable more collaboration with all supply chain partners. The goal is a more efficient and reliable gateway, while reducing the impacts of growing trade on local residents. As I mentioned at the outset, that is becoming more and more complex.

We look forward to your questions this morning, including any questions you have about the port of Vancouver or more generally.

Thank you.

• (0910)

The Chair: Thank you very much.

Mr. Moir, go ahead.

Mr. Ewan Moir (President and Chief Executive Officer, Nanaimo Port Authority): Good morning, Madam Chair. Thank you very much for the invitation to speak here.

The port of Nanaimo is a medium-sized port, of the 18 port authorities that are classed as federal port authorities. Traditionally it was a coal port. It moved on to become a forestry and lumber port, and more recently it has become multi-purpose, simply because people are looking at the island differently than they did many years ago. Everyone considers the island as a place where people go to retire. By way of examples of recent stats in Nanaimo, the population is 90,000 and the average age today is 44.6 years. The average age in British Columbia is 44.1 years. In 2014-15, there was a 27% increase in housing starts in Nanaimo. That is an example of what is going on in the Regional District of Nanaimo and in Vancouver.

One of the big drivers is the cost of living in the Lower Mainland and, as Peter said, the availability of industrial land in the Lower Mainland. There is a lot of industrial land available on the island, as it is 32,000 square kilometres. The cost of land to lease, and the cost of land to buy, is about one tenth of the cost here in the Lower Mainland.

One of the examples of the diversification that we've recently introduced is a vehicle processing centre, which is under construction in Nanaimo. This is to bring cars in from Europe, which are going to be converted or made into Canadian cars: all the software is updated, and all the stickers they want in English and French, etc. That happens in a vehicle processing centre. Those European cars will be shipped back from the island to the Lower Mainland, and eventually into the western provinces. The driver for that was the availability of industrial land right on the water, at an acceptable dollar-per-square-foot rate. That's what drove that project.

We're looking at Duke Point, which is our container terminal and heavy industrial area, where we are feeding products from Vancouver Island to the Lower Mainland for international shipping. A lot of manufacturing is starting to take place on Vancouver Island. There is very limited direct shipping from Vancouver Island to the rest of the world. You have to come into Vancouver, and then you have to move to another ship in Vancouver. Then you go to the rest of the world. Some of the manufacturers have told me that the cost to go from the island to Vancouver is the same as the cost to go from Vancouver to China. That's simply because of the number of times you touch the product. Obviously it adds to the cost of the transportation across the Salish Sea.

We've got to look at this in the future. We're 27 nautical miles away from Vancouver. This morning it took me 20 minutes to fly by helicopter from Nanaimo to downtown Vancouver, and I could probably beat someone to this office today, in comparison to someone coming from Surrey. It's a lot faster for me to come from the island.

I've mentioned to Robin, Peter's boss, that we are complementary to the port of Vancouver, because of our closeness to the Lower Mainland, the availability of skilled workers and the availability of industrial land.

My final point is this. There are 800,000 people living on Vancouver Island today, projected to grow to 1.5 million people. I don't think it's a question of whether we ever have an earthquake; it's a question of when we'll have an earthquake. We have no warehousing on the island. There are two companies that warehouse: Sobeys and Quality Foods, one in Victoria and one in Qualicum Beach. We live in a just-in-time economy. They estimate that fuel, food—even beer and wine—will run out on the island within a week if we're cut off from the Lower Mainland.

We have a growing population. We have a tremendous opportunity to provide more to trade for Canada, yet we are sitting on the edge if there's a major national disaster. If you look at the map of Vancouver Island, you see that one road goes north to south—it's nearly east to west—from Victoria up to Port Hardy. It goes over the Malahat. You've probably heard about the Malahat being cut off by road accidents, etc. You cut that off for a long period of time, and the north of the island doesn't have connections.

• (0915)

As the port of Nanaimo, part of our vision is to actually grow that connection to the Lower Mainland, not simply for trade but also for the future, for emergency purposes.

Thank you very much. I'm looking forward to answering any questions.

The Chair: Thank you very much.

We will go to Mr. Liepert for five minutes.

Mr. Ron Liepert (Calgary Signal Hill, CPC): Good morning, all of you, and thanks for being here. It's good to be in Vancouver.

I have a number of questions, so I'd appreciate really short answers. I think you can give really short answers to a few of them.

My colleague and I are both from Alberta, so I think you can probably guess that we might have some questions about the pipeline and that sort of thing.

I want to ask this of each one of you individually. Does shipping oil by tanker cause you any concern at all?

I'll start with you, Sonterra, for a short answer.

Ms. Sonterra Ross: The answer would be yes, more with regard to the impact on the environment on the water side. However, we do feel that this is an essential service. It takes it off the roads and moves it onto the water, which is seen as a highway. We do have our concerns, but we are supportive of the project.

Mr. Ron Liepert: Thank you.

Peter, go ahead.

Mr. Peter Xotta: The nature of every product is assessed by the port authority to ensure that we're fulfilling our mandate to operate safely. In the case of the proposed pipeline and the volume, we've done that assessment and are confident that it can be handled properly.

Mr. Ron Liepert: Thank you.

Ewan, go ahead.

Mr. Ewan Moir: No, I don't have a concern, provided it's handled correctly. To repeat what was said earlier, I think the movement of goods such as chemicals and oils is a lot safer on water than by rail.

Mr. Ron Liepert: Ewan, I would encourage you to have sit-down with your MP, who thinks quite a bit differently than you do. Thank you.

I guess along that line, I am now an MP, but I recall that when I was a resident of the Prairies, farmers would express concern about having limited or no ability to get their product to market, and yet there were dozens of ships sitting at sea waiting to be loaded, and it seemed as though there was always some kind of a labour dispute or something going on at the Vancouver port. I haven't heard those concerns in the last 10 years. What is the situation at the Vancouver port? Is that something you've managed to fix?

Mr. Peter Xotta: Certainly, the various stakeholders are concerned about the collective brand that Canada puts forward. With regard to this movement, there have been a number of initiatives. I think 2014 was the last time there was a really significant challenge with regard to moving grain.

The visibility project that I mentioned in my prepared remarks is an initiative that I'll call a joint venture among Transport Canada, CN and CP, and the port authority under a memorandum of agreement. The objective there is not only to have better insight into past supply chain challenges, but also hopefully to get into a position where we can better predict when we're going to have capacity or other constraints.

Labour agreements between various critical parties occur from time to time, but I'm pleased to say and concur with you that they are not a central theme or a concern expressed by the international customers I talk to regularly.

Mr. Ron Liepert: It seems to me that we are hearing more concerns from the railways—and they will be presenting later—about getting the cars to Vancouver than about having the loaded cars sitting in Vancouver waiting for ships.

Maybe I'll just switch back to oil for a moment. What would you have to do to accommodate large tankers in the port of Vancouver? A while back, I had the opportunity to tour the port of Vancouver. I was energy minister in Alberta for a couple of years, and at that time they were talking about additional dredging that would have to take place.

Would that kind of construction activity have to happen, or is it pretty much ready to accept the kind of tankers that would be required?

• (0920)

Mr. Peter Xotta: It is ready to accept the kind of tankers that would be required. The particular transit that is contemplated

between the terminal facility and open waters is the most stringently controlled transit within the port's jurisdiction. Those procedures have been established working very closely with the B.C. Coast Pilots, the Pacific Pilotage Authority, the Coast Guard and other agencies. So a procedure is in place to handle what's anticipated, and I'm confident it can be done safely.

Mr. Ron Liepert: I'll let my colleague ask a question.

Mr. Matt Jeneroux (Edmonton Riverbend, CPC): I have one minute. I'll just quickly get some clarification.

Which of your ports would have been responsible for the energy east project, which is no longer going ahead?

Mr. Peter Xotta: It's not energy east. It's northern gateway.

Mr. Matt Jeneroux: Sorry, it's northern gateway, yes.

Mr. Peter Xotta: None of the ports here would have been responsible.

Mr. Matt Jeneroux: Okay.

Mr. Xotta, you spoke on Bill C-69, and some concerns you had with that. I will revisit this in my second round of questioning, but if you have a moment to perhaps comment on what some of your concerns are, that would be helpful, I think, for this committee.

Mr. Peter Xotta: The review that we're involved in today, particularly, is a project regarding the extension of container capacity. The extended timeline that appears to be unfolding is obviously costly. It impacts the securing of commercial partners because of the uncertainty around when that facility might be constructed and thus operational.

We're expressing our concern at the local level, but it's one that we think should be considered nationally. What is the message, essentially, that's being sent to international investors of major infrastructure projects? Our example is a container terminal, but I'm sure there are others.

The Chair: Thank you very much.

We will now move on to Mr. Hardie.

Mr. Ken Hardie (Fleetwood—Port Kells, Lib.): Thank you, Madam Chair.

Thank you all for being here.

Like my colleague, Mr. Liepert, I'd appreciate some short answers, although I know these are fairly complex issues.

Peter, generally speaking, what is your level of confidence that the complementary pieces of the trade corridor—i.e., roads and rail—can keep up with your growth projections?

Mr. Peter Xotta: I will try to be brief.

What I'm confident of is that the infrastructure programs we've put in place and received federal funding for are for the most critical and urgent pieces of the gateway, to facilitate the growth we're anticipating.

Obviously, we're hopeful for future funding applications being supported beyond the 2030 time frame. Our modelling was done to 2030, and the projects that are supported, we believe, will accommodate that level of growth, should it unfold as anticipated.

Mr. Ken Hardie: Your colleague at the Hamilton Port Authority, Ian Hamilton, suggested yesterday that container traffic will grow at about twice the rate of the GDP. Is that your understanding?

Mr. Peter Xotta: Of course the growth in the various trade corridors is different. In Vancouver, we're anticipating growth of about 4% to 5%, which is consistent with what we have done historically through the last decade. That appears to be unfolding. If not, we typically grow at slightly higher than the forecast number that I've articulated, but that's the trajectory.

Mr. Ken Hardie: Is the decision on which port to go to—Vancouver, Nanaimo, Prince Rupert, even perhaps Squamish—left to market forces, or do you sense that there's a master plan or somebody who's really looking over the whole piece to see where in fact growth potential might best be placed?

Mr. Peter Xotta: It is primarily left to the private sector. Obviously, the shipping lines, in the case of containers, are trying to access various competitive markets with a variety of alternatives. In the case of export cargo, it might be more dependent on where the producing region is, or the producing facility in the case of a mine. However, primarily, it's a private supply chain.

Mr. Ken Hardie: When you look at the constraints in metro Vancouver—mountains, water, agricultural land, reserves, the American border—would you not think there's a point where the law of diminishing returns really kicks in? For instance, to get that kind of rail capacity to the downtown port will require capital investments that are huge, compared to considering more modest investments in some place that can start to accept that kind of pressure on the system.

• (0925)

Mr. Peter Xotta: From the port's perspective, we have done much of that calculus. I would say that, to the extent that there are opportunities that shippers or shipping lines in other ports could avail themselves of, they will exercise that. What we're hearing is that there's still considerable demand for this gateway because of the various attributes and opportunities that exist there, and that's why we're continuing to push for infrastructure.

Mr. Ken Hardie: I have one final question.

In the Niagara region yesterday, we heard there is a lot of siloed thinking. We heard that the port or the Welland Canal wasn't speaking to the road system. They weren't speaking to the industrial sector. They weren't speaking to the regional planners, etc. Everybody was working in their own bubble.

To what degree does the port participate in collaborative planning for the trade corridor with the road system and the rail system here in metro Vancouver?

Mr. Peter Xotta: I'll try to be brief.

I would suggest that the reason we've been as successful as we have in securing federal funding is a demonstrable level of support from communities, regional transportation authorities such as TransLink and the B.C. Ministry of Transportation, and a broad cross-section of port users. They are all advocating on behalf of these infrastructure projects. We understand that the complexity in the Lower Mainland requires a high level of collaboration. We're seized with that, and we think the success we're having is a result of having embraced that.

The Chair: You have one minute left.

Mr. Ken Hardie: Excellent.

I want to go back to an answer you gave about your level of confidence in the capacity or the ability of the railways and the road system to handle the growth that you see coming—larger ships, more containers, the handling of those containers in and out, etc. Do you not think that within the foreseeable future you're going to hit a wall with the technical ability of those railways to get bulk and containers in and out of there, especially in the Burrard Inlet? You're just going to hit the limit, and it's going to cost a hideous amount of money for them to make the kinds of improvements to keep up with you.

Mr. Peter Xotta: Once again, I'll refer to the federal infrastructure investments. Those applications were submitted with both railway partners—depending on the project—with significant capital being committed by the various railways to support those projects.

We're seized with the issue. There is no doubt that Canada is successful internationally, with Vancouver, perhaps, disproportionately being used as the primary supply chain to seize that opportunity.

We have work to do. I am not concerned that what is in the foreseeable future cannot be accommodated. Beyond that, it requires further analysis.

The Chair: Thank you very much.

I will move on to Mr. Aubin.

[Translation]

Mr. Robert Aubin (Trois-Rivières, NDP): Thank you, Madam Chair.

I welcome you to the Francophone portion of this discussion.

You are already very good at giving concise answers. I invite you to continue doing so.

I have a colleague, Sheila Malcolmson, who does absolutely incredible work on the issue of abandoned ships. This issue is not as widely known in Eastern Canada, where there is only one such ship, the *Kathryn Spirit*.

I clearly see all the environmental problems that this issue can raise. I would like to know if you, if this represents a problem economically for your work or for the port business.

[English]

Mr. Ewan Moir: In Nanaimo, we deal quite often with abandoned vessels, but it's more the pleasure craft that we get. For each one, it probably costs us somewhere between \$5,000 and \$10,000 to go through the process to eventually get rid of the vessel.

As Sheila has been saying, part of the problem is the lack of transfer of registrations when people sell boats. They just get left. When they get left, there's an environmental concern, and there's a responsibility upon us to get rid of that environmental concern.

• (0930)

Mr. Peter Xotta: Without repeating Ewan's comment, I would say that we absolutely struggle with the legacy environment that was created, and we have the registration issue.

We work closely with several municipalities, often on what we refer to as “vessels of interest”—they may or may not be wrecks at that point—to identify vessels and owners, and take appropriate steps to hold those who operate these vessels accountable. It is a challenge for communities.

I would argue that having a port authority within the community is actually a benefit in that regard, because you have somebody who is on the water and working with the municipality. For those communities outside of port jurisdictions, it's a much more complicated challenge. We're working forward on that.

Ms. Sonterra Ross: In Victoria, the GVHA does not have authority over the water, but we are involved with the region around the abandoned vessels. Similarly to Nanaimo, we are dealing more with pleasure craft.

We work in close partnership with Transport Canada to see if there is a way for Victoria Harbour to have an increased opportunity for enforcement. We're also setting in place policies and regulations to ensure that when vessels come into Victoria they're already deemed to be in good condition, as well as trying to reduce the risk of vessels being abandoned either alongside or in the open water.

[Translation]

Mr. Robert Aubin: Thank you.

I continue with you, Mr. Xotta. Correct me if I'm wrong. In your preliminary statements, you seem to express a fear regarding the difficulty reconciling economic development at the Port of Vancouver and environmental requirements that are increasingly stringent or difficult to respect.

I would like you to comment a bit more first about this.

[English]

Mr. Peter Xotta: The port of Vancouver has had a structure in place for our tenants for the better part of 30 years, to review projects. We have seen considerable increased concern and scrutiny placed on those projects, probably appropriately so, given the competing interests that come to bear.

We're particularly concerned, not about increasing standards or ensuring compliance by our tenants, but about the exceptionally long timelines to reach final investment decisions for them. Those investments, as I mentioned with regard to the container sector, are likely to result in a deficit in terms of container capacity in the coming decade, and we are concerned about that because it relates back to our core mandate of providing capacity for trade to develop the Canadian economy.

[Translation]

Mr. Robert Aubin: This problem came up in Quebec during discussions regarding the Energy East pipeline. The terminal was to be in a beluga breeding ground. You may have a similar problem in the West with Orca.

I would like to hear your thoughts on this. Did the port authorities conduct a study to identify the problem regarding these species at risk? If so, what were the findings of the resulting report and what measures are to be put in place?

[English]

Mr. Peter Xotta: Absolutely. On all coasts of Canada, there's appropriate scrutiny of species and impacts on species, particularly those that are endangered.

In the case of the port, we are, as I mentioned previously, advancing the notion of a container terminal at Roberts Bank. There is the southern resident killer whale population out there. The port has been analyzing that ecosystem for the better part of a decade, and I would suggest it's probably the most studied ecosystem in Canada—at least that footprint where the terminal will be.

Additionally, we are performing noise-monitoring trials in partnership with industry, to look at the impact of vessel traffic on the resident killer whale population.

Ultimately, we believe that this particular project can proceed without any detrimental effect to that population. That's the suggestion in our submission to the Canadian Environmental Assessment Agency.

It's not to suggest, once again, that there aren't challenges with regard to maintaining Canada's position from a trade perspective. The timeline to work through these processes is our express concern.

• (0935)

The Chair: Thank you very much.

I'm sorry, Mr. Aubin. Your time is up.

We'll move on to Mr. Iacono.

[Translation]

Mr. Angelo Iacono (Alfred-Pellan, Lib.): Thank you, Madam Chair.

Hello. I thank you for being here this morning.

My questions do not refer to just one port. On the contrary, I would invite the witnesses to give us a brief response so we can have a better understanding of the similarities and the differences between each port.

My colleagues on the Committee understand that I have a particular interest in the ports of the future or smart ports. I find it fascinating to see that the new technology integrated into means of transportation can facilitate our trade.

What is the current situation in your respective ports in terms of traditional infrastructure, as well as smart infrastructure?

[English]

Ms. Sonterra Ross: I can start.

The master plan we've embarked upon is a great opportunity for us to look at those opportunities. We're different from Vancouver and Nanaimo in that we are predominantly a cruise port of call. In 2019, we expect to welcome more than 700,000 passengers, plus crew. We're looking to move close to a million people off our terminal through an adjacent neighbourhood.

Part of our infrastructure challenge is in trying to move people. Through our master plan, we're looking at various technologies, whether green or information-based, to help move more efficiently the number of people we move.

Mr. Peter Xotta: Perhaps I can chime in.

Here's the picture that I would paint. In Canada, when your vessel arrives at the port of Vancouver, you come under the Lions Gate Bridge. If you're entering Burrard Inlet, on the left-hand side is a pile of sulphur and coal. On the right-hand side you have Stanley Park, a bunch of condominiums, and Canada Place. We have done an exceptional job in this country, and in Vancouver in particular, of balancing our underlying trade and industrial activity with preserving the coast for all other users, including the residents here.

That means increasingly being focused on the collaboration that was referred to by another committee member, but it also means investing in innovating and in ensuring that we have timely investment in infrastructure through monitoring programs. I mentioned the visibility program that the port is involved in. Ultimately, that allows us to be confident that we're using the corridors that are preserved for trade as efficiently as possible. That will also point us to when we are exhausting that opportunity and either need to invest capital or do something else. Finally, it helps us demonstrate all the measures we're taking to those local constituents, whether they're concerned about impacts on commuters or other things or about impacts on the environment.

At the port, along with different agencies, including Transport Canada, we're investing in technology, as I mentioned previously, supported strongly by both CN and CP. We believe that's the path forward—being able to demonstrate in the Canadian context that we have a solid focus on the future while demonstrating that we're sensitive to those issues that are appropriate to preserve Vancouver.

Mr. Angelo Iacono: Thank you.

Mr. Ewan Moir: At the port of Nanaimo, we are in the fortunate—or unfortunate—position of going through change. We're just removing the last sawmill from our Nanaimo assembly wharf site. It's basically 37 acres of flat land with Helijet on one side and our main office on the other. That's where we're building the vehicle processing centre.

Directly to your question about “tomorrow's port”, we are in the advantageous position to actually introduce technology as we build new infrastructure in our heavy industrial area at Duke Point and in our light industrial area of the Nanaimo assembly wharf. I believe that this is the only way we should be going as ports, introducing technology.

I would use Amazon as a classic case. No one would have thought 10 years ago that you could have something delivered to you tomorrow from Montreal if you ordered by 9 o'clock in the morning. Amazon can do that. That's using technology to get the goods to you very quickly, right to your door. Now they're talking about putting it in the back of your car, because they can electronically unlock your car and leave the parcel for you.

Ports are looking at a very infant stage of blockchain technology. The port of Halifax is working with Maersk on that. As to how blockchain technology would fit and work with us as a port, and

whether we would become part of the blockchain technology as a port, that's something that has to be answered, but we have to be moving toward the use of technology to get goods to market. “To market” doesn't mean to Nanaimo or to Vancouver; it means right to the customer's door. That's interconnecting all the modes of transport and connecting them very efficiently.

To really do that, you have to understand what's coming at you well in advance, and you have to be able to electronically transfer that information to the relevant people to make the right decisions before the product actually arrives at the port. We're looking at that. We're learning about it, and we're using the car project as our start.

● (0940)

Mr. Angelo Iacono: Thank you.

Just quickly, is there somewhat of a collaboration between ports when it comes to port intelligence?

Mr. Ewan Moir: Yes, there is. We have an association of the 18 port authorities. That is ACPA, the Association of Canadian Port Authorities. Blockchain technology is one of the things we are discussing collectively. We're trying to understand where it fits. As an association, we sit down and we take subjects that are common—

Mr. Angelo Iacono: Sorry. You mentioned the association, but I'm also talking about the ports.

Mr. Ewan Moir: Oh, do you mean directly with ports?

Mr. Angelo Iacono: Yes.

Mr. Ewan Moir: We have a round table where all 18 CEOs meet. What we actually want to look at collectively would be part of the discussions.

Here on the west coast, the port of Vancouver and I will be meeting to discuss all subjects, from technology right through to products, the rail, and so on. Therefore, there is a common discussion; there is an idea of working together.

Mr. Angelo Iacono: Have you had a common discussion about—

The Chair: I'm sorry, Mr. Iacono. Can you hold your question and we'll see if we can get another round in?

Mr. Badawey, go ahead.

Mr. Vance Badawey (Niagara Centre, Lib.): Thank you, Madam Chair.

Good morning and welcome.

My name is Vance Badawey, and I am from the Niagara region. I want to take this opportunity to preface my comments and my questions by stating that this session is not about me. It's not about my personal interests. It's not about the interests of my riding in Niagara. It's not about political interests. It's simply about business. It's about performance. It's about your interests, your partnership with the federal government and your partnership with the people you work with on a daily basis, your colleagues. Therefore, the direction we're trying to take here is to strengthen our global trade performance by enhancing our logistics and distribution transportation system locally, here in B.C., but equally, if not more importantly, nationally and internationally. I am going to base my questions on that.

When we look at your area and the trade corridor here—which, by the way, is performing very well—we understand that it can perform better, hence the reason we're here.

My first question goes to a comment that Mr. Moir made earlier with respect to integration and looking at really integrating our logistics and distribution system here locally, as well as nationally and internationally. Traceability is a big issue.

With that, what direction or what methods or mechanisms are you putting in place not only to satisfy your individual business plans, but to make them more robust, to enhance them and make more capacity available? What are you doing together?

Mr. Moir, in your comments you mentioned working together and integrating, and therefore everybody performing at a higher level, so what are you doing together?

Second to that question, what can you do—and bringing us in as a federal government, what can we all do to help you along—in that direction, not just for a 5- or 10-year business plan, but a 30- to 50-year business plan well into the future?

Mr. Ewan Moir: There are two layers of communication. As an example, in Nanaimo, we work with DP World, which runs our container terminal that connects back to Vancouver and their facility at Centerm. DP World is operating on both the east coast and the west coast. They're exceptionally knowledgeable with regard to movement of products globally and in Canada. By working with DP World, and because they're also located in Prince Rupert and in the port of Vancouver, we have the proponents' viewpoint, and then we have the ports communicating together as well. We're connecting the ports through communication, but also through the proponents who are actually moving the goods.

That's a very important part of tomorrow's business as well, that we are not at arm's length from our proponents. We have to work very closely with our proponents and share information collectively, because we're not competing against each other. We're supposed to be for the good of our communities, the good of Canada, and the good of B.C., and that is occurring.

That is happening because of the way we work, and I understand it's happening because of the way we work with the port of Vancouver as well.

● (0945)

Mr. Peter Xotta: We certainly need to look at emerging issues in other gateways. Perhaps to the previous question that was asked, the port is very actively engaged in discussions with L.A. and Long Beach, because we can foreshadow some of what might happen in our port, in the container sector; with Rotterdam particularly, because they have port operation systems providing oversight of vessel traffic that are of interest to us and might be something that emerges for us in the future; and of course, with local ports such as Seattle, Tacoma, Nanaimo and Prince Rupert, with whom we have regular discussions.

With regard to what we should be doing, I mentioned it several times and I apologize for repeating myself: Technology is the key. Creating data-based, data-informed conversations will help us produce a made-in-Canada solution for our supply chain. Simply emulating what happens in other ports around the world in their

political or cargo context is not likely to produce the results we need. A made-in-Canada solution informed by the information around our capacities and our supply chain will help us have the correct conversations.

Ms. Sonterra Ross: From a cruise perspective, we have a great opportunity right now. For Victoria, most of our ships are homeported out of Seattle, so we have a close working relationship with Seattle. Also, in Vancouver, capacity is probably our biggest challenge as we look at cruises ahead.

With the opening of the Asian market, there is lots of business to go around and be shared across all the ports in B.C. I know that our CEO, with some of his conference attendees, does engage with many ports to ensure that we're all working together and to determine where the right size of ship and the movement of people best fit to showcase B.C. and Canada as a whole.

Mr. Vance Badawey: Thank you.

That's great that you're doing it here locally. How do we do it nationally?

Mr. Xotta, you mentioned that you are in collaboration with other gateways nationally, for the domestic market but also internationally, as you mentioned Rotterdam. I'm going to hit you with both the transport industry and the cruise ship industry. Not only are we trying to bring people here to this area of the country, but we're trying to bring people to the country. How do we work together to do that, starting in the west and moving to the east?

That's the premise of what I'm trying to get at here. Yes, we have assets here locally in B.C. How do we use those assets to bring in more of the national or domestic and, of course, the international market?

Moving forward, how do we do that? We talked about this in Niagara as well. How do we integrate and bring together our distribution logistics system, as well as our tourism and, in your case, the cruise industry?

The Chair: Could we have a short answer, please, to the point?

Ms. Sonterra Ross: One of the main focuses that we use in the tourism sector is engaging with Destination Canada, so we're enhancing that tourism sector with our Destination Canada partners to really highlight all the ports and the infrastructure needs, and that's right across the country. That's the forum we use.

Mr. Peter Xotta: I'll take it up a level, to be brief.

What's happened in the federal trade corridors initiative is incredibly powerful. Being prepared to facilitate analysis and leaving the door open to potential infrastructure asks is actually the primary and most useful role that the Government of Canada can take.

There's a lot of "going down the rabbit hole" and analysis that can be done, but at a high level, that leadership is very valuable. It acts as a catalyst for bringing people together. It unearths the truth, at least as close to the truth as we can get, on any given issue. Hopefully, it results in merit-based projects moving forward.

The Chair: Thank you very much.

I have to go on to Mr. Jeneroux.

Mr. Matt Jeneroux: Do you have to, or do you want to?

The Chair: I'm sorry. I clearly want to.

Mr. Matt Jeneroux: It's a pleasure to have everyone here, even the chair.

I want to revisit some of the questions I was briefly talking about earlier with regard to Bill C-69, and perhaps give Mr. Moir and Ms. Ross an opportunity to weigh in.

Could you provide some tangible examples of what exactly Bill C-69, which is not official yet, would mean as legislation for your industry, and on the competitiveness piece?

First, we'll go back to Mr. Xotta, and then we'll go across the table.

• (0950)

Mr. Peter Xotta: I'd probably be restating what I said previously. There are two dimensions to the potential change. As I mentioned, one is the potential for exceptionally long and costly permitting reviews, such that projects may not be brought forward.

The second piece is with regard to the role of port authorities across Canada and permitting projects within their jurisdiction. This is a strategic advantage for Canada, by acting as a catalyst to bring the various analyses together to make a determination on a particular project. By and large, I think that the ports in Canada have held that responsibility very dear and have done a robust job of reviewing projects in their jurisdiction. It's important to take those projects and continue to give the authorities that role. Generally speaking, the nature and size of the projects that fall within the auspices of the port authority should remain, in our view.

Mr. Matt Jeneroux: Are you saying, then, that people would look at Canada less favourably and that strategic advantage you spoke of—

Mr. Peter Xotta: That's our concern.

Mr. Matt Jeneroux: You're worried that fewer ships—

Mr. Peter Xotta: Put simply, if the threshold for projects being kicked to a central review agency is exceptionally low, that's going to be a big deterrent for ports.

Mr. Matt Jeneroux: Go ahead, Mr. Moir.

Mr. Ewan Moir: We look at the change as very positive, because we all have a responsibility with regard to the environment. Globally, we have a responsibility, but we have to be exceptionally careful that we don't put so many roadblocks in place that, in fact, the potential customers go elsewhere. I don't mean they go elsewhere from Nanaimo; they go elsewhere from Canada, because it becomes too complex and too costly for some people, with no certainty as to whether the project will occur or not, and many dollars are spent until they get to the point where they understand whether it will occur.

I also look at it from the perspective that, in some way, it is connected to UNDRIP and the government's move with regard to incorporating UNDRIP. We have to be exceptionally careful when we're looking at impacts across the whole length of the project. When we have UNDRIP and the consent requirement with regard to

indigenous people, potentially we're adding exceptionally to the timeline. As long as we keep a very tight and professional timeline to it, I think it's a really positive thing, but if it starts to grow excessively, I completely agree with Peter that it's probably detrimental with regard to future business for Canada.

The last comment I would make I think is very important, to one of the questions mentioned earlier. Having the federal port system allows a common process across east, west and central Canada. I think that's exceptionally important when a client comes from outside of Canada. Dealing with the east coast is not different from dealing with the west coast. They are dealing with the same process. I feel that's very important.

Mr. Matt Jeneroux: Ms. Ross, go ahead.

Ms. Sonterra Ross: I don't have anything to add.

Mr. Matt Jeneroux: You have no comments about Bill C-69.

Ms. Sonterra Ross: No.

Mr. Matt Jeneroux: If or when Bill C-69 becomes legislation, will that impact how you guys do business on a day-to-day basis?

I guess I'll explain where I'm coming from. Right now, with what's in place on your end, are you satisfied that you satisfy both the environmental and the economic concerns, the way business is right now, the way the federal government and the province do it now?

To put it simply, is Bill C-69 essentially more legislation that's not necessarily needed right now?

• (0955)

Mr. Ewan Moir: I would say no. I think Bill C-69 is the right way to go.

We have a case at this moment about a fast passenger ferry going from Nanaimo to downtown Vancouver, a potential project. The proponents had an environmental assessment in Nanaimo, and environmental assessments in the port of Vancouver, but nothing in between on the Salish Sea.

When we go to Bill C-69, we'll consider the full journey of that fast ferry. Both parties are introducing requirements to that proponent about noise and speed with regard to killer whales—to the question asked earlier. That's outside of the present remit of what we're supposed to examine from an environmental perspective, but we know it's very important, so we asked the proponent to include that as part of the process.

Bill C-69 would ensure that we look at everything—

Mr. Matt Jeneroux: I just want to get Mr. Xotta's take.

Mr. Peter Xotta: I would agree. Obviously, this is a complex space for which Canada has to have an appropriate process in place. The fundamental message is that ports have been responsible in fully serving the mandate that is before them in the Canada Marine Act. In the case of Vancouver, there's a tremendous level of complexity in our process reflecting the community and the issues that we have before us.

I think the key message with regard to Bill C-69 is, as Ewan mentioned, balancing those steps forward with ensuring that Canada remains competitive in attracting capital.

The Chair: Thank you very much.

Mr. Aubin, you have two minutes.

[Translation]

Mr. Robert Aubin: Thank you.

Ms. Ross, I come back to you, as you are the only one who, in your preliminary statements, referred to the issue that I now wish to address. It was also brought up in the ensuing discussion. I even think that the members of the Committee have some soul-searching to do. In the list of witnesses that we called, there are not many First Nations representatives.

I would like to have more information regarding the consultation and collaboration process that you had with First Nations.

[English]

Ms. Sonterra Ross: The Songhees and Esquimalt nations in Victoria are actually founding members of the Greater Victoria Harbour Authority. Not to belabour some history, but we are a divested port from the federal government for four port properties. We are governed by a board of 13, made up of eight member agencies and four independents. Two of those members are first nations.

We have various streams of consultation through our first nations partners, but first off on projects are extensive presentations and attending dinners with their administration and council on a regular basis to keep them informed. They do bring their voting interests to the table to help us make a more fulsome decision on projects and priorities. We have a funding stream back to our first nations partners as well. We work very closely with them. They're just part of our framework as the harbour authority.

[Translation]

Mr. Robert Aubin: In the first decision by the Federal Court of Appeal, we learned that there must be two-way consultation. That does not mean simply presenting development projects to the First Nations. The feedback that they provide must also be taken into consideration.

How did you react to the latest decision?

[English]

Ms. Sonterra Ross: As I said, we work very closely with them, so they do have an important stake and voice at our table throughout any decision we are making. There is some complexity in Victoria when it comes to more regional issues that come up, particularly around the port. There are still questions with the federal government around accommodation and the settlement of the seabed. We look to facilitate that.

We do a lot of engagement, whether it's financial or having their voice heard. We also have a liaison position in-house to help facilitate many of the sensitivities that we might run up against. We do more than just presentations; they are an active, involved partner at our table.

The Chair: Thank you all very much. It was very informative to open up our hearings here in Vancouver.

Tonight, from 5:30 to 6:30, we will have an open mike session. If any of the participants feel they need to come and get in an additional comment or two, or some interaction with committee members, they are certainly all welcome. It will be held right here in this room.

If it's okay with our witnesses, we'd like to suspend for a moment to take a photo.

- _____ (Pause) _____
-
- (1005)

The Chair: We're reconvening our meeting. Thank you to our second panel.

Today we have with us the Canadian National Railway Company with Brad Bodner, director of business development. We have the Canadian Pacific Railway with James Clements, Vice-President, Strategic Planning and Transportation Services; Southern Railway of British Columbia with Derek Ollmann, President; and from TransLink, Geoff Cross, Vice-President, Transportation Planning and Policy, New Westminster.

Welcome to all of you. Thank you for participating in this important study we are doing.

Mr. Ollmann, would you like to start?

Please try to keep your comments to the five minutes.

- (1010)

Mr. Derek Ollmann (President, Southern Railway of British Columbia): Southern Railway of B.C. is a short-line freight operator in Vancouver's Pacific gateway. Like other short-line operators, we provide a first-mile, last-mile switching service to our customers, providing them with a critical transportation link to our class 1 railway partners.

In the case of SRY, we connect with the CN, CP, and BNSF in two locations in the greater Vancouver area, with access to the underutilized international rail crossing at the Huntingdon-Sumas border. This connectivity expands the reach of the class 1 railway into areas of the industrial land base within Vancouver.

SRY's role as a short-line operator is to support the fluid cycle of loaded railcars to their final destination and return the railcar to the class 1 in the shortest amount of time. SRY provides a complementary service to class 1s so they can focus on efficiencies through the major rail corridors. Currently, Southern Railway handles around 69,000 car loads annually, and we have experienced consistent and continual growth on a year-over-year basis.

We anticipate railcar volume to increase over the short term with commodities with focused growth in key sectors, including agriculture commodities; export container stuffing, and particularly in the production of animal feed based in the Fraser Valley; and chemical and fuel transport to support various industries, including support to the pulp and paper industry via SRY's Annacis rail-marine barge loading facility.

We also handle import and domestic vehicle handling via WWS and Hansen's. This comprises Canada's largest auto-handling facility on the west coast.

SRY is also well positioned to take advantage of new short-sea shipping opportunities with access to rail-marine interface.

It's not all positive news on the short-line business model. We are being squeezed from many different sides. We experience the same challenges that face the class 1s in terms of increased government regulation, more stringent environmental regulations and the need for capital infrastructure projects. But short-line operators are on an entirely different economic scale as far as operations are concerned. Government support and financial incentives in the form of capital grants or incentive-based programs specifically designed to help short-line railways are needed. Typically, SRY invests around 12% of its revenue toward projects that are necessary to sustain existing operations in a safe manner.

Targeted short-line funding programs would enable short-lines to spend beyond sustainment and invest in projects that support future growth for the movement of goods both internationally and domestically, address capacity constraints and improve efficiency, and invest in projects that reduce public frustration with railways.

Within the background document provided to the committee, we also refer to other key challenges ahead for short-line railways. As mentioned in the previous panel, preserving industrial land is critical for sustaining the efficient flow of goods through Canada's Pacific gateway. Also concerning is the conversion of land to residential use. Government support in maintaining sufficient proximity between railways and heavy industry from dense residential development is important for reducing public frustration with railways and industry.

We also would like to maintain our competitiveness with other modes of transportation. A short-line railway's largest competitor is trucks, which operate on the publicly funded road network. A modal shift away from rail would increase congestion and maintenance on roadways and increase emissions.

In closing, SRY provides a critical transportation link between local business and the North American rail network. When the short-line rail operator is inefficient, there's a ripple effect across the supply chain, so short-lines must remain aligned with our class 1 partners. Government support would enable short-lines to invest in capital infrastructure projects like bridge upgrades, new signal systems and grade separations, which will help maintain our competitiveness and efficiency. All of these investments would ensure that we don't become the choke point within the system.

Thank you.

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

We're now on to Mr. Cross.

Mr. Geoff Cross (Vice-President, Transportation Planning and Policy, New Westminster, TransLink): Thank you, Chair.

It's a pleasure to be here. We're really pleased at TransLink to see the federal government weighing in on this area and looking at us and starting a strategy discussion.

As you're aware, TransLink is the regional transportation authority within metro Vancouver, with the very broad mandate of managing the movement of goods and people on the regional network, which primarily includes the road network, and not the heavy rail network but the interface between them. We represent 21 municipalities, one first nation, and an electoral area in that regard.

For many years TransLink had within our mandate this regional goods movement role that had not really been played, and we have started to fill that in over the last few years. I think there are lessons from this that we can learn from now that the federal government is starting to have a discussion and emphasize and maybe amplify as well.

For many years the gateway council was a very effective voice for regional issues, and continues to be to this day. But in recognition that 60% of heavy truck travel within the region has a local destination, it's not just about gateway infrastructure. It's about understanding the interaction between provincial and federal infrastructure and then local infrastructure, to be able to go end to end on the trips and understand how we efficiently move goods through this region.

The last point can be the real choking point, if you talk to some of our partners, on how one deals with community issues. Mr. Ollmann raised the pieces about land use and residential development within the region. TransLink was set up to play part of that role and I think we need a better conversation with the federal government about how we balance those land use needs and those local transportation needs and community needs for a quieter, safer and healthier goods movement, while making sure we're efficient and effective in doing so.

At the urging of our gateway partners over the last couple of years, about a year ago we came up with our first regional goods movement strategy that looks at what role we play with the regional road network on making sure we're doing our part looking into the future on planned proposed investment, for management of the system, and for partnering on the system, and that we have the infrastructure of partnerships to coordinate on those activities.

I think metro Vancouver is a case study in that regard. The gateway council has been very effective over the years. A Gateway Collaboration Transportation Forum has come together, which includes TransLink, the port, the province and Transport Canada, which identifies the necessary investments and how they work together in bundles.

That's the other piece that TransLink is trying to emphasize. How do we manage both our transport and land use planning? Our sister agency is Metro Vancouver. They look at the industrial land use base and work with the municipalities on ensuring that we have adequate supply, or trying to ensure we have adequate supply. We always say that the best transport plan is a good land use plan, and that is obviously critical in metro Vancouver with our constrained land base and the economic pressures for residential and commercial uses on it.

The final piece of that partnership is not just with the gateway partners, the agencies, but with the railways, our key stakeholders and large businesses as well. We've developed an urban freight council. It would be very good to see the federal government involved in that.

Finally, we will be promoting three ideas for you consider as you go into the strategy. One is an emphasis on funding and supporting plans, not just projects. I know you look at plans, but it's being cognizant of lots of different network plans, whether it be the ports 2050 strategy, TransLink's long-range strategy, or the rail strategy, and how these come together to think holistically so that the sum of the whole is greater than the sum of the parts. That is opposed to doing a project where, if we haven't thought of the interconnected interdependencies, sometimes we don't get the value out of those investments. We want to make sure that the converse is true.

• (1015)

The second piece is supporting and funding really good information so that we have research, we have data analysis, and we're able to make sure that we are effectively monitoring how our investments are doing and what we're trying to achieve. We talk about congestion, but it's really about travel time and travel reliability, how we are adjusting over time and making sure that we are aiming for the right thing.

First things last, I think it is being at the regional table with the partners and understanding what it is that we're trying to achieve, what are our objectives are in terms of goods movement and reliability.

• (1020)

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

Mr. Bodner.

Mr. Brad Bodner (Director, Business Development, Canadian National Railway Company): Good morning.

I'm going to stick to my script to make it easier on the translator.

My name is Brad Bodner. I'm director of business development for CN. We appreciate the opportunity to appear before the Standing Committee on Transport, Infrastructure and Communities on the important topic of trade corridors.

CN employs about 24,000 people across North America, transporting more than 250 billion dollars' worth of goods across a North American rail network covering roughly 20,000 route miles. This is Rail Safety Week across Canada and our team of railroaders have been on the ground in many of our neighbouring communities sharing a message of awareness and tips about our shared responsibility for safety around rails. CN is a proud partner of

Operation Lifesaver, whose 2018 rail safety campaign #STOPTrack-Tragedies is continuing to reach millions of Canadians all over the country.

British Columbia, and particularly the Lower Mainland, are an extremely important part of our network. As trade with Asia has grown in importance, the focus on the movement of goods through the west coast ports has grown with it. About 25% of CN's business either enters or departs Canada through the British Columbia ports.

Intermodal traffic—that is, goods moving in containers—is the fastest growing segment of CN's business, with the coming expansion of intermodal terminals in Vancouver and the recently completed expansion of Fairview terminal in Prince Rupert demonstrating the significant increase in this traffic. However, it isn't just intermodal. The majority of bulk products we carry also move through terminals at the ports of Vancouver and Prince Rupert. Grain and coal move through Prince Rupert, while grain, coal, potash and sulphur are among the bulk commodities that move through Vancouver. Vancouver is clearly the preferred gateway for western Canadian grain and speciality crops. Even some grain destined to Europe now moves through Vancouver as the most cost-effective way to reach its destination.

Needless to say, CN and our customers are extremely dependent on efficient operation and timely development of the B.C. ports. CN has been investing on an ongoing basis to ensure we have sufficient capacity to address the growth in business, particularly in western Canada. In 2018, CN is investing approximately \$340 million to expand and strengthen its B.C. rail network. The B.C. investments are part of CN's record \$3.4-billion capital program for 2018 and include key track expansion projects that will boost capacity, allowing CN to better serve our customers.

In June the Government of Canada announced funding through the national trade corridors fund for two infrastructure projects of great significance to CN and the transportation supply chain in Vancouver. These investments will have a positive impact on CN's capacity in this very busy trade corridor.

These projects, jointly funded by the Government of Canada, CN, and the port of Vancouver, will boost capacity along the rail corridor across the Second Narrows Rail Bridge, linking transportation networks to growing grain, potash, coal and forest products export terminals on Vancouver's north shore. Many of the existing terminals have recently expanded capacity and G3 is currently constructing a new grain terminal on the north shore. This is a significant project as it's the first new grain terminal in Vancouver in many decades and includes a very efficient loop track design, the first on the Canadian west coast. The government also announced funding to expand capacity on the rail line that serves as CN's primary access to DP World's Centerm Terminal and Global Container Terminals' Vanterm Terminal, both of which have expansion plans in the works.

We are very pleased with the government's decision to create an infrastructure fund aimed specifically at trade corridors. The value of this fund is unlike traditional infrastructure funds in that it does not require the participation of a second level of government. This recognizes the reality that much of the value of investing in a corridor, like the corridor to Vancouver's north shore, does not accrue to B.C. or the municipalities, but rather to Saskatchewan and Alberta, whose grain, coal and potash make up the majority of the traffic that depends on the corridor to reach its market.

Going forward there are still many bottlenecks that need to be addressed in order to grow capacity in the Lower Mainland. One key project that needs to move forward is the replacement of the Fraser River bridge. This bridge, which is owned by Public Services and Procurement Canada and operated by CN, is over 100 years old. It is regularly used by six railways, three freight and three passenger, totalling some 40 trains per day. It is an old-style swing bridge, open eight hours a day for marine traffic and with very little capacity for the new volumes associated with the terminal expansions planned or under way. This bridge needs to be replaced and it will be both expensive and complex to do so. We encourage the government to move forward on this project in a timely manner.

• (1025)

Canadian exporters and importers depend on a reliable and efficient supply chain in order to remain competitive on the global stage. The Vancouver gateway is a key part of that supply chain. Continued investment and the ability to grow and adapt to meet the changing needs of customers are essential in order to enable Vancouver, as well as Prince Rupert and other Canadian ports, to meet the growing needs of Canadian businesses.

The Chair: Mr. Bodner, I'm sorry, but I have to cut you off there.

Mr. Brad Bodner: The rest was just the closing.

The Chair: Thank you very much. Hopefully you'll get it in as part of your comments on something else.

Mr. Clements, go ahead, please.

Mr. James Clements (Vice-President, Strategic Planning and Transportation Services, Canadian Pacific Railway): Thank you, Madam Chair. It's a pleasure to be here this morning.

My name is James Clements. I'm CP's vice-president of strategic planning and transportation services. CP is pleased that your committee is studying the efficiency of Canada's trade corridors.

CP's transcontinental rail network across North America is a critical component of the supply chain that connects Canada's exporters with international markets and consumers with goods. Two-thirds of our traffic crosses the border. Thirty per cent of that traffic crosses the Canada-U.S. border, including in the Niagara region—where you were the other day—into Buffalo. A further 37% is imports or exports for Asia or Europe through the Canadian ports.

As international trade increases, our transportation systems throughout North America must develop the capacity to handle growing freight volumes. This includes export-driven demand for Canada's natural resources, such as grain, forest products, coal, potash and energy products, as well as import-driven demand from consumers.

CP has been investing significantly to expand the capacity and efficiency of our rail network, especially in the critical trade corridors, such as the one through the Rocky Mountains from Calgary to Vancouver.

Since 2012, CP has invested nearly \$9.5 billion in our infrastructure to improve safety, service and throughput. Over this time, our capital investments have outpaced our growth in demand. This year alone, we are investing more than \$1.5 billion to replace basic infrastructure, upgrade the network and expand capacity. In particular, we're focused on capacity and efficiency improvements in the grain supply chain.

We have announced that we are investing half a billion dollars to purchase 5,900 new high-capacity grain hoppers, which will replace the aging low-capacity government hopper cars. The new hoppers will handle 15% greater volume and 10% greater weight while featuring a shorter car body that allows more cars in the same train length.

In collaboration with our customers, we're also developing expanded train lengths of 8,500 feet. Those trains will haul 20% more grain than the current 7,000-foot train model we use to move grain and, when combined with hopper cars, represents 44% more grain per train.

The efficiency gains will yield real improvements in the efficiency and capacity of the grain supply chain, a critical element of Canada's trade corridors.

That said, Canada's trade corridors face future challenges. Looking at grain in particular, our railroad meets the market demand everywhere except the critical gateway of the port of Vancouver. There, the railway is sized to the overall supply chain capacity. There's simply more market demand through Vancouver than there is capacity in the supply chain to accommodate the grain traffic. The supply chain through Vancouver is constrained by terminal capacity, the impacts of inclement weather and the operational complexity of the railways, including having to manage around the West Coast Express commuter rail operations.

We are pleased that the government has announced funding under the national trade corridors fund for important grade separations at the Vancouver Intermodal Terminal in Pitt Meadows and the 50th street overpass in Lambton Park Yard in Edmonton. These projects will help alleviate congestion in the rail system. I give the government credit for committing these funds to these projects.

However, federal infrastructure programs in general need to continue to be targeted to support trade-enabling infrastructure, as this is critical to achieving the efficiency gains in Canada's trade corridors.

We recognize that there are political pressures from other levels of government for the finite infrastructure dollars, but the fact remains that the federal government is uniquely positioned to concentrate infrastructure investments on projects that will generate material gains for Canada's national economic needs. We strongly recommend that future federal government programs focus on this trade-enabling infrastructure and include consideration of the separation of freight and commuter operations in the Lower Mainland.

Finally, it is worth noting that the goal of achieving more efficient trade corridors is undermined by federal policy-making that favours additional regulatory interventions in the marketplace and the imposition of significant new requirements for major projects that fall under federal jurisdiction, such as those proposed in Bill C-69. An overbearing regulatory environment constrains the supply chain and the market's ability to build the infrastructure needed to accommodate market demand.

Thank you for your time this morning.

• (1030)

The Chair: Thank you very much.

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

Mr. Ron Liepert: Thank you, all, for being here this morning. I am going to focus my questions on the two rail lines. Mr. Clements and Mr. Bodner, both my colleague Matt Jeneroux and I represent Alberta riders. I would preface my remarks by saying the testimony in front of House committees is effectively under oath. I'm going to ask you a couple of questions that I would really appreciate solid answers to.

There is no industry that is more important to the economic well-being of the Prairies than the two rail lines. I think you probably are well aware of that. However, consistently, whether it's the movement of grain, potash or other commodities, there seems to be continual bottlenecks.

One of the pressures that both of you must be facing these days is that we're now shipping 200,000 barrels of oil a day on your two rail lines because of constraints on pipelines. How much pressure is that putting on other commodities such as grain? I'll leave it at that. How much pressure is there?

Mr. James Clements: I'll go first. Thank you.

Certainly, the increasing demand across all commodities has been a bit of a challenge. Last year we saw the ramp up, principally once the Keystone pipeline had the problems in South Dakota, and that widened oil spreads and then increased demand I would have said unexpectedly early. We knew there was a coming pipeline constraint that was more a late 2018-19 kind of thing, which we're now seeing. That's certainly impacting demand for crews and resources.

The other thing we've seen is that potash tends to be on the northern part of our territory. We've also seen the dryness in the south on the Prairies, and more production to the north has concentrated a lot of demand. We are congested to some degree in the Edmonton area, but we are responding. We're hiring. We're expanding capacity and moving record volumes at the same time.

Mr. Ron Liepert: Mr. Bodner.

Mr. Brad Bodner: What James said at the end is exactly what we're doing. We're hiring. We're acquiring locomotives. We've invested substantial amounts. In the last 10 years we've invested \$20 billion in our railway. We've really accelerated our capacity builds in the last couple of years to make sure we can operate efficiently.

Crude by rail only represents about 3% of our revenues. It's a relatively small part of the business, and our focus is on moving the commodities that give us long-term stability in our revenue.

Mr. Ron Liepert: It may be only 3% of your revenues, but your capacity has to be higher than that. Every time I drive down a road in Alberta there's a trainload of railcars sitting somewhere on the siding. It may be only 3% of your revenue. In other words, you're not making a lot of money off it, but it probably...

Mr. Brad Bodner: It's an indication of workload, though, because grain is about 10 times that.

Mr. Ron Liepert: Okay. Then why do we continually have the problems every year with grain movement out of Saskatchewan? It seems like every winter we come to the same conclusion. Farmers are up in arms and the Conservative government had to bring in legislation. What's the problem?

Mr. Brad Bodner: I guess there's a combination of things. In the last couple of years we've had crops that have been far beyond what anyone had forecast. At the same time, I know people say you know winter's going to happen, but the reality in railroading is that winter causes you to run short of trains, which means you have more trains in your capacity slots. You need more crews. You need more locomotives, and all of that has quite an impact on the network.

It's a difficult situation if someone wants you to try to maintain all of this additional capacity for these surges under a regulated rate structure.

• (1035)

Mr. Ron Liepert: I know you're incredibly proud of your safety records, but can either of you sit there today and tell this committee that to ship oil by rail is safer than by pipeline? I'd like an answer from you.

Mr. James Clements: I think it's complicated.

Mr. Ron Liepert: I'd like a yes or no answer.

Mr. James Clements: The overall, let's say, loss of barrels from rail versus pipeline incidents isn't significantly different. Obviously, the nature of some of the incidents, including a tragedy, have been different.

We would advocate for safer railcars. We applaud the government for the recent move on the non-jacketed CPC-1232, but we believe with the right railcars and the right focus on safety we can be equivalent.

Mr. Ron Liepert: Even with a 100-year-old bridge...?

Actually, it was Mr. Bodner who raised the 100-year-old bridge, so I'd like a comment on that from a safety standpoint, with oil railcars.

Mr. Brad Bodner: Everything is moving across that bridge. The reality is that we have a common carrier obligation. If a shipper wants us to move their traffic, we can't tell them no. It's Transport Canada that imposes that on us, so we can't choose what we move.

Mr. Ron Liepert: I understand that.

I think I've run out of time.

The Chair: Yes you have, by about 50 seconds.

On we go to Mr. Hardie.

Mr. Ken Hardie: Thank you, Madam Chair.

It's regrettable that we actually don't have a separate panel on roadways, partially because—and I have to put this on the record—the Province of B.C. declined to participate in our discussions today. Therefore, Mr. Cross, it's going to fall to you. I'm going to talk roads a little bit, and I'll get back to the railways in just a minute.

If you could start from scratch and redesign metro Vancouver for the efficient movement of goods by truck, what would you change?

Mr. Geoff Cross: Wow.

Mr. Ken Hardie: You're in the planning business, so, you know....

Mr. Geoff Cross: What we end up with.... I'll take, for example, a situation.... It's hard to disentangle them.

New Westminster sits in the centre of the region. It is one of the oldest communities, as you're aware, and it is a choke point on the road system. There are also lots of interactions going over the three bridges right in that vicinity, so you have a mixture of uses that is very difficult. Historically, there's a reason why it's located there—the Royal City Centre shopping mall—but at this point, the industrial use has become incompatible in many situations with the actual neighbourhood character and the residential densification that's happening around there.

There are a number of situations throughout the region like that. Because of our river alignment and where the industrial land is most productive, it's in strips and it's in tight competition for other uses. That makes it very difficult. I would think in other regions they would set up larger sections.

Mr. Ken Hardie: To what degree do the various regulations that the municipalities impose individually complicate truck movements in metro Vancouver?

Mr. Geoff Cross: I think it's quite a bit. That's one of the things for which we've been trying to bring everybody to the table in our urban freight council, which includes the port and the gateway, the regional administrators, and the CAOs of the major municipalities. It's looking at what kinds of things they're doing that could be incompatible in some situations with our shipping and gateway functions, whether it be the requirements that they're making for densification around our major truck routes or parking management—all sorts of things. We're trying to highlight where we can be better aligned in that regard, to mitigate some of the impacts.

Mr. Ken Hardie: Now we'll shift to the railways because I think your stories are probably quite similar. South of the Fraser—i.e. GCT Deltaport, and so on—would appear to have a lot more capacity for growth than the downtown port in Burrard Inlet. Is there

a point at which you would see—and I've asked the same question of port metro Vancouver—that you've gone as far as you can go with a downtown port, and it's time to look elsewhere? For instance, the inland terminal at Ashcroft is an example of a more recent development where we think outside the footprint of metro Vancouver in terms of the trade corridor.

We'll start with you, James.

● (1040)

Mr. James Clements: I talked about that corridor and the West Coast Express. There is about 25% capacity on our main operational line between Coquitlam and downtown that is consumed with commuters. We would say that, if we could come up with a long-term strategy to disentangle commuter and freight, there's a fair amount of capacity that we could create for additional services into the harbour there.

We are certainly also seeking other solutions. We recently opened a transloading facility in Coquitlam, and our vision there is to take trucks off the road and transload them out on the periphery. Then we can deliver containers to the ports or receive containers from the port and transload them into other railcars further away from the downtown harbour.

We would support alternative solutions, and we believe they exist.

Mr. Ken Hardie: Mr. Ollmann, on the short-line, especially again south of the Fraser and including New Westminster and Annacis Island, would you see more efficiencies being available there than you would, say, in the downtown port?

Mr. Derek Ollmann: That is our core business, what James is speaking to, transloading and providing industrial land that is not contiguous to the class 1 rail corridor. The opportunity to get rail service as opposed to truck service, transload and use their goods is our primary function. I think there are opportunities for us to fortify our network, build auxiliary track and promote the movement of goods by rail.

Mr. Ken Hardie: Mr. Bodner, you mentioned the New Westminster rail bridge, but you also have a tunnel that has to be clear for 20 minutes between trains. Would fixing that problem—and you can maybe describe it briefly for the benefit of those who don't know about it—mean a substantial lift in your capacity to move, especially, the containers in and out of the downtown port?

Mr. Brad Bodner: It doesn't do too much for the containers, because that tunnel leads to the north shore. The north shore is where a lot of terminal expansion has taken place, and G3 is coming on stream at the end of next year. All that expansion is about a 50% increase in demand. There's an 11,000-foot tunnel that leads to a 2,000-foot bridge that lifts for marine traffic five hours a day. We need to squeeze the headways between trains in order to get more to and from the north shore. It's the end of the line. A train has to come off before a train can go on.

We feel that that will align with the capacity demands on the north shore once that's done. That's one of the projects the federal government has approved for funding, \$78 million towards a \$200-million project that we hope to have done by the end of 20—

Mr. Ken Hardie: She's pointing at me.

The Chair: I'm trying to keep everybody in line here.

Mr. Aubin, go ahead for five minutes please.

[*Translation*]

Mr. Robert Aubin: Thank you, Madam Chair.

Thank you, gentlemen, for being here with us this morning and for sharing your expertise with us.

I think it was Mr. Bodner who said in the beginning that we are in the middle of Rail Safety Week. It is hard to avoid the fact that rail accidents rose by 21% in 2017 compared to the year before.

How do you explain that figure? I understand that no one wants there to be accidents, but is it related to the increase in traffic or operator fatigue, for example?

My question is for Mr. Clements and Mr. Bodner

[*English*]

Mr. Brad Bodner: First of all, I don't know what that statistic is from, the increase, what type of accident you're talking about, whether those are crossing accidents, reportable accidents or what they are. I don't follow our stats as closely as a lot of other people in the operation of our railway do, but what I read is that generally our safety record is improving over time, so I'm not quite sure about that statistic you're quoting.

Mr. James Clements: I'd have to echo that I need a little more context to answer the question, because, overall, our train accident frequency of what are called reportable accidents has continued to improve, and we continue to be the safest railway in North America.

Mr. Derek Ollmann: From an SRY perspective, our accidents in 2017 actually went down. We run a much different operation than a class 1 railway. We're very scheduled and that's been an advantage that a short-line operator has over a class 1. We don't do that "first in, first out" style of service. It's very regimented and scheduled. We can't compare ourselves to the class 1 system.

• (1045)

[*Translation*]

Mr. Robert Aubin: Do you acknowledge that operator fatigue can be a problem? Could working long hours in a row have an impact on compliance with safety standards?

[*English*]

Mr. James Clements: When we look at the long hours, I think we have to get to the facts. Over the investigations we've done, the average locomotive engineer conductor works just under 40 hours a week, which is consistent with what other industries and people tend to work in a normal workweek. I think the debate on fatigue is a complicated one, because there are night shifts and other things, but overall, we don't think the total hours are an issue.

[*Translation*]

Mr. Robert Aubin: In the current economic situation, we are facing an increasing shortage of labour across Canada. Is that shortage reflected in your ability to grow and find operators, in particular?

[*English*]

Mr. James Clements: I would describe it as a regional challenge in terms of the economic growth. There are locations on our network where it is much more challenging to recruit and train locomotive engineers.

[*Translation*]

Mr. Robert Aubin: Do you wish to add anything, Mr. Bodner?

[*English*]

Mr. Brad Bodner: It's absolutely the case. Some of our greatest challenges are at the extreme ends of our network, and some of those ends of our network are seeing growth, so it's difficult to get people and retain people. When you're in a resource area that pays exceedingly well in some cases, you get people in place, and then they have options they can move to and we find ourselves having to replace them.

You're right. It is a challenge.

Mr. Derek Ollmann: I would agree. SRY is facing the same experiences as the class 1. Vancouver is a very expensive area to live. Railway jobs pay well, but it's a competitive environment and people are looking elsewhere than the classic railway industry.

[*Translation*]

Mr. Robert Aubin: I turn to you, Mr. Ollmann.

In your preliminary statements, you referred very briefly to the pressure you face from environmental regulations that apply to your company. Could you elaborate on that?

[*English*]

Mr. Derek Ollmann: Sure. Locomotive emissions is one of the areas. We operate in metro Vancouver's airshed. I operate a railway that has approximately 25 to 27 active locomotives at any one time. Replenishing and renewing the locomotives for SRY is a challenge. A locomotive could be \$3 million to \$4 million, and a typical high-horsepower locomotive doesn't fit with the short-line sector. We have to look to other various types of technologies that can perform the duty.

The Chair: Thank you, Mr. Aubin.

Mr. Iacono.

[*Translation*]

Mr. Angelo Iacono: Thank you, Madam Chair.

I will share my time with my colleague, Mr. Hardie.

My questions are for all witnesses.

[*Technical difficulties*]

According to the report by the Canadian Chamber of Commerce, the rail network in Western Canada should almost triple its capacity to meet demand by 2045. What are your thoughts on that?

Does the rail network in Canada have the capacity to achieve that projected increase in goods traffic?

In your case, what measures do you plan to take to achieve that?

• (1050)

[English]

Mr. James Clements: I'll jump in first.

In terms of tripling between now and 2045, I haven't done the math on it. It seems a little aggressive. Long term, if you look at rail demand, it's something in the range of the GDP. There are clearly variances in crop production or the opening of a new mine, let's say for potash. We're not looking at something that's triple, but we certainly have to continue to invest. We have to continue to grow our network capacity, and we have to continue to improve our efficiency.

Mr. Brad Bodner: That's very true. Tripling seems pretty aggressive. I would wonder how we would get that offshore. You heard Peter Xotta talk about land shortages and port development, all of these sorts of things. I can't imagine the volume could be tripled through an urban area like Vancouver, and I know what's available up at Rupert.

Could it double? I don't know. Again, like James says, I haven't really done the math for decades out. We try to plan for five years or so and stay on top of that.

The port side is going to be exceedingly important with urban encroachment and all the rest that we have to deal with such as lack of land and more resistance to seeing this activity within communities.

Mr. Derek Ollmann: I'll share my perspective.

We're going to continue to invest in our key corridors. We're also an operator of a railway corridor owned by the ICF on Vancouver Island. It's a corridor that runs between Victoria and Courtenay with connection to Port Alberni. We're going to continue to work with the ICF on developing those key corridors.

Mr. Geoff Cross: In isolation that's a tricky thing to imagine as we think about what the regional road network would have to be to be able to support all of those kinds of interactions. I know that the port did a really great exercise in scenario planning. That could be one of the scenarios.

As we start to look out to 2050 with metro Vancouver on their land use and on our regional network, we really have to see what that range may be with different dynamics at play and understand where the signpost might be in the next five to 10 years to tell you what trajectory you're on.

Mr. Ken Hardie: Mr. Cross, you mentioned earlier that there was a transport coalition, a group of agencies that get together and look, I hope, holistically at the transportation network.

First of all, can you confirm that? Who's involved and what are you talking about?

• (1055)

Mr. Geoff Cross: There are several. The Gateway Transportation Collaboration Forum came together, which is the port, TransLink, Transport Canada in the facilitation role, as well as the Ministry of Transportation and Infrastructure for the province. In light of the new GTCF funding, we did a bunch of work collaboratively to understand what the projects are for 2030 and grouped those into bundles to see how they work co-operatively to get better outcomes.

There has been some modelling done in that regard. There's probably more that can be done.

We also have an urban freight council that uses those same players but expands that out to the GTCF, YVR and others to be able to understand what the different dynamics are. It looks at things like streamlined permitting, parking regulations, management elements, as well as what additions we need to do to the regional road network. Right now we're going to go through an expansion of about 10% as the region grows.

The Chair: Thank you, Mr. Cross.

We go on to Mr. Badawey.

Mr. Vance Badawey: Thank you, Madam Chair.

I'm going to really drill down on the—for lack of a better word—regional network. As you know, the trade corridors fund is being proposed. With that, the beneficiaries of that fund are going to be those who attach themselves to a broader trade corridor strategy.

I want to start off with Mr. Ollmann with the short-line operators, because you're probably the one who's most in need of that capital funding. The question is going to be broader to all four of you.

How are you folks working together more as a regional network to then be part of a broader local, national and even international trade corridor strategy, therefore creating net benefits from that partnership and/or the contributions from the trade corridor fund to then manage your assets and self-fund your capital projects through healthier, more disciplined annual operational contributions?

I'm sure CN gets that, because you try to do that every year. A lot of times you're strapped, and I'm sure, Mr. Ollmann, that you're definitely strapped.

First, how are you working together to create that network, that strategy? Second, how are you working together to have that ability to tap into that trade corridors fund because of the more networked environment you're creating versus the individual environment?

Mr. Derek Ollmann: Southern Railway actually submitted two applications to the trade corridors fund. Neither made the cut, unfortunately. One was to fortify our Queensborough rail bridge. The other was to add additional capacity on Annacis Island, where our largest auto terminal is located. This auto terminal receives the majority of import autos that are distributed across the Canadian economy. We work with our class 1 partners to develop that first-mile, last-mile service. That's our integration towards the class 1 rail network.

Again, our strategy is to enable the remote industrial land base that is not contiguous to the class 1 corridor and allow those industrial properties to access the North American rail network.

Mr. Brad Bodner: We invest about 20% of our revenues annually. Derek mentioned 12%.

The projects that we have under the national trade corridors fund.... We've done a lot of coordination, as has CP, with the port of Vancouver. They've been very good about that. Our biggest issues are when we get toward the end of the line where we have five railways, urban encroachment and marine traffic influencing the utility of infrastructure because bridges have to open. This is where it becomes very complicated.

In the case of the north shore where the federal funding is going, one of the reasons why it's very difficult to put together a business case to fund \$200 million for a capacity improvement is that, through federal legislation, we have to provide service to CP's traffic for a very low rate. Also, a good portion of the traffic on the north shore is regulated grain traffic, so the return on investment is extremely low. We see the availability of that fund as an offset to those things that are imposed on our ability to generate a return.

Mr. Vance Badawey: James.

Mr. James Clements: We've participated in the collaboration group in Vancouver. There's also the Greater Vancouver Gateway Council. We work with all of the Lower Mainland stakeholders. The submissions that were put forward by the port were reflective of all the input of all the stakeholders in the prioritization, and we were definitely one of the key players in that and helped to articulate their business case.

• (1100)

Mr. Vance Badawey: Even though you're rail, with respect to the different methods and modes of transportation—water, rail and road—where do you see the bottlenecks in your network?

Mr. Derek Ollmann: Mine is much smaller than the class 1 railway network, but an example is the Fraser River rail bridge that Brad spoke about. I am one of the three freight operators over that rail bridge. It is very congested. It is not unsafe. It's just a bottleneck. Investing in that rail bridge would definitely increase velocity.

Mr. Vance Badawey: Geoff.

Mr. Geoff Cross: We have a number of roadway issues. I mentioned one. There is the South Fraser Perimeter Road, but there's a long-standing need for some better connection north of the Fraser.

The other piece that James referred to is that, clearly, we have an issue, and it will become larger, on the west coast—

Mr. Vance Badawey: Can I stop you there? Thank you. I'm sorry, but I'm running low on time here.

Whose jurisdiction is roads?

Mr. Geoff Cross: That would be shared between us, the province and the municipalities.

Mr. Vance Badawey: We heard this in Niagara as well, and the unfortunate part about it is that both provinces actually refused to come out and participate in this exercise. I find this very unfortunate because a lot of the jurisdictions are theirs. That's what we're here for. We're trying to take care of some of those bottlenecks.

First, have you discussed that with the province, and second, how can we participate in ultimately taking care of that road bottleneck?

Mr. Geoff Cross: We've discussed it with the province. It is a priority that they understand. Being part of the urban freight council in the gateway is a key role.

Mr. Vance Badawey: Thank you.

The Chair: Thank you very much.

We're on to Mr. Jeneroux.

Mr. Matt Jeneroux: Thank you, Madam Chair.

Thank you all for being here today.

I hope to get to two points, both with you, Mr. Clements. I would love to touch on Bill C-69 if we have an opportunity, but first I want to raise the other issue that you brought up with regard to my hometown of Edmonton: the 50 Street overpass. You called it an overpass. From what I understand, there's still the debate between an underpass and an overpass. Is it clear that it's an overpass?

Mr. James Clements: No, the final engineering has not been done. The initial submission, I think, conceptualized it as an overpass, but the decisions need to be finalized.

Mr. Matt Jeneroux: I heard you say "overpass", so I thought that maybe you were scooping some of the announcement. I know it was supposed to be done this summer, but it still hasn't been done.

With regard to CP's involvement, obviously being in Edmonton and growing up on that particular side of the city where I waited for the train at length at times, I know about that piece of your involvement in the line. However, with regard to the funding, can you walk me through...? I don't think you provided any funding, but were you part of some of the decision-making when it was announced?

Mr. James Clements: We were certainly in discussions with the province and the city, and under the Canada Transportation Act and the Canadian Transportation Agency's precedent, there is a component of railway funding. In this case, given the existence of the railway for a long time in that location, it's small, but we're committed to putting in our component of funding that was contemplated in that discussion.

Mr. Matt Jeneroux: Is that amount public?

Mr. James Clements: I don't think so, but it's less than \$5 million. It's relatively modest compared with the total cost.

Mr. Matt Jeneroux: Was that part of the discussion leading up to the decision, that there would be support from CP in some dollar amount?

Mr. James Clements: Yes. We supported that business case when it went in as well.

Mr. Matt Jeneroux: Okay, so what's the current status? Where are we? Are we waiting for the conceptual designs? Have we seen delays in anything?

Mr. James Clements: We're not the lead partner, so I'm not intimately familiar with the exact status. Our engineers continue to liaise with the lead partner, but I can't comment on exactly where we are.

Mr. Matt Jeneroux: Who is the lead partner?

Mr. James Clements: I believe it's the city.

Mr. Matt Jeneroux: I believe the federal government committed to \$39.8 million, if I'm correct. The province committed to \$28 million, and the city to \$19 million.

Again, I'm just curious where we are. Do you have a timeline in terms of when it could be built, or anything?

• (1105)

Mr. James Clements: No, but on our side, we will support it going as fast as it can be delivered. We will not be the bottleneck.

Mr. Matt Jeneroux: I'm sure most proponents across the country will support it, but we've seen significant delays in infrastructure across the country, so I was curious as to whether you had any update on this. It sounds like it's still in the works, even though in summer it was anticipated that we'd have that conceptual drawing. There's still nothing as of yet.

Just quickly, could you expand on some of your comments on the impacts of Bill C-69 and what it would mean to CP in particular?

Mr. James Clements: Our concern would echo that of the previous panel. By adding an additional uncertainty and complexity into the review process, we are concerned that it is going to discourage the attraction of capital to infrastructure projects that will enhance the supply chain.

The Chair: Mr. Aubin.

[Translation]

Mr. Robert Aubin: Thank you, Madam Chair.

I will not repeat the question that I asked earlier regarding the number of accidents. That said, to not leave you in the lurch, I found the quote that my question was based on from the Transportation Safety Board report. It reads as follows: "In 2017, 1,090 railway accidents were reported to the TSB, a 21% increase over 2016".

I imagine that you will have the opportunity, outside this Committee, to explain to me the difference between the TSB vision and your own. In your case, the numbers have decreased, which is good news. In fact, if there are fewer accidents in your case, that is positive, but how do you explain the difference between the two visions?

Mr. Clements, you said that, in future funding programs for these corridors, projects involving the transportation of goods and the transportation of passengers must be separated.

Are we at a point where growth will involve two different rail networks? In other words, will railways be established that are reserved for the transportation of passengers and others dedicated to the transportation of goods, rather than letting them share the rail systems?

[English]

Mr. James Clements: To jump on a question I didn't answer from Mr. Badawey, the Lower Mainland is definitely the most challenging point on our entire network. When we look at that, the commuter operation in the Lower Mainland is one in which I suggest we have to think about a long-term solution. In the period where we weren't doing the best job in terms of serving grain movement, we were also facing significant complaints about delays on the West Coast Express.

In infrastructure, we were balancing all of those priorities and not doing a good job for anybody. One way to avoid that happening is to separate the two. That way you don't have the commuter operations and the freight entangled. You don't have to figure out how to make the choice today of whether to spot a Cascadia grain elevator or move commuters into work in the morning.

It's not a comprehensive Canadian strategy. It's one that we see as a Lower Mainland issue.

[Translation]

Mr. Robert Aubin: Do we have the necessary land to establish this dual network? Can we purchase enough land to do so?

[English]

Mr. James Clements: It would be a very challenging and expensive project to build an additional track along the inlet. I think environmentally it would be challenging as well. There are also other options to reconnect and redesign the commuter network so you can leverage existing commuter infrastructure and get the satellite community passengers efficiently onto an existing passenger network in the more central part of the mainland.

Mr. Cross is more of an expert on moving passengers than I am.

The Chair: I'm sorry, Mr. Cross. We're out of time.

Mr. Geoff Cross: Okay.

The Chair: I have to thank you all for being here and for giving us an abundance of information.

We will suspend for a minute while we switch panels.

We do have the open mike between 5:30 p.m. and 6:30 p.m. this evening if you would like to come by.

Thank you.

• _____ (Pause) _____
• _____
• (1115)

The Chair: I'm calling the meeting to order. Thank you very much for participating today in our study.

We have the BNSF Railway Company, Roger Nober, Executive Vice-President, Law and Corporate Affairs; Global Container Terminals, Marko Dekovic, Vice-President, Public Affairs; and Neptune Bulk Terminals (Canada) Ltd., Rob Booker, Senior Vice-President, Operations and Maintenance.

Mr. Nober, would you like to start, for five minutes, please. I will raise my hand, and they will cut you off.

Mr. Roger Nober (Executive Vice-President, Law and Corporate Affairs, BNSF Railway Company): I will do my best, Madam Chair, to do it in five minutes.

Thank you, Madam Chair and members of the committee, for letting me testify here today on behalf of the BNSF Railway Company.

We are the largest private freight railroad in the world. We are headquartered in Fort Worth, Texas, and are a wholly owned subsidiary of Berkshire Hathaway, but have been a part of—and the third—class 1 carriers in British Columbia and in Canada since we came to British Columbia in 1909. We serve several provinces in Canada, and it is a critically important part of our network and our business.

I'd like to say a bit about myself. I'm an executive vice-president with BNSF. In my prior lifetime, I was the chairman of the U.S. Surface Transportation Board, which is the equivalent of the Canadian Transportation Association. Before that, I was the chief counsel of the U.S. House transportation committee, which is this committee's counterpart in the United States House of Representatives. I've testified many times in the United States but never in Canada. I appreciate the opportunity to be here today to talk to you a little about our railroad.

We very much applaud you for looking at the importance of trade corridors and international trade. For our company, international trade is a critical part of what we do. We are the third class 1 in Canada. We provide the port of Vancouver with its critical three class 1 railroads serving the rest of North America.

We work great hand in hand with our counterparts in Canada—the Canadian National and the Canadian Pacific, which were here earlier. We find those to be fine companies and we enjoy working them. We also feel that, in addition to the service that they can provide, our company can provide an expanded network within the United States, which provides a competitive advantage for the port of Vancouver.

Our footprint is vast. We have 52,000 kilometres of tracks—so 33,000 miles. Of that, of course, only 38 kilometres is in British Columbia, but that allows us to connect to the rest of our network in 28 states and across the United States.

In our experience, the Canadian government's public policy support for trade and trade corridors is something that is a real competitive advantage here. We serve every major port on the Pacific and west coast of North America. We very much admire the public policy initiatives that you all have to recognize the importance of trade at a national and local level, with the private sector and communities working together to be able to mitigate the impact of trade and to be able to invest in corridors for trade. That is something that we appreciate having been a part of and is a real differentiator, in our experience, from the ports in the United States. This gives Canada a great advantage.

It's our goal to continue to serve here and to be able to be a part of the market. We've made investments in our line to be able to expand in the Vancouver area. We are committed to safely operating. We are committed to investing in our system. At our company we have made some of the largest capital investments that any freight railroad has ever made in their network. We think that shows in our unparalleled safety record, particularly in terms of equipment costs, derailments, the condition of our track and the condition of our network.

As I promised, Madam Chair, I would be brief and finish before my five minutes.

Thank you for the opportunity to be here. I look forward to answering questions from the members of the committee and from all of the stakeholders who are here. We very much want to continue to be a part of trade in Canada and international trade out of the Vancouver metropolitan area.

With that, thank you.

• (1120)

The Chair: We are very happy to have you with us today.

Mr. Dekovic.

Mr. Marko Dekovic (Vice-President, Public Affairs, Global Container Terminals): Thank you.

Good morning, Madam Chair, and members of the committee. Welcome to Vancouver.

On behalf of GCT, Global Container Terminals, I would like to thank you for the opportunity to appear before you today as you undertake this important study on Canadian transportation and logistics strategy, and in particular as you look at western Canadian trade corridors.

Given the multitude of issues—market trends, policy matters, both domestic and international—that are currently facing the transportation supply chain, your study is timely and we welcome it.

Global Container Terminals operates in the heart of Canada's Pacific gateway. We are the country's primary link to trade and commerce with Asia. Not only are we the anchor tenant in the port of Vancouver, we're also the largest container terminal operator in Canada, and indeed the largest maritime employer in the country. We're proudly headquartered here in Vancouver, and we are privately owned by Canadian pension funds.

Global Container Terminals has been a proponent and investor in critical western Canadian port infrastructure for over a hundred years. We also own two terminals in the United States, in the Port of New York and New Jersey: GCT New York, and GCT Bayonne. We have a long history as an economic contributor and wealth generator, in this province in particular. We are committed to Canada, and our current and future planned investments in port of Vancouver will help improve and expand the country's trading capacity as well as our global competitiveness.

We are well positioned to support the right growth strategies needed to meet Canada's trade and capacity demands, while at the same time ensuring best-in-class customer service and being a responsible environmental steward. On this latter point, it is worth emphasizing that Global Container Terminals is committed to continuing to enhance our environmental performance through ongoing innovations in the way we operate, as well as through smart development, namely, growing our company's business by densifying our existing terminals' footprints first.

This commitment continues to be recognized. For example, we were awarded Canada's Clean50 Top15 Projects award for 2017, and have received recognition from Green Marine for our leading results in environmental performance. Most recently, we certified with the Climate Smart program, which is being advanced by the Vancouver Fraser Port Authority. We were awarded the Green Business of the Year Award by the Delta Chamber of Commerce. We were also recently recognized by CN Rail's EcoConnexion partner's award for 2018.

We are proud of these accomplishments, and we will continue to embed sustainability in all our operations and decision-making going forward.

Like other marine transportation operators in B.C., GCT is focused on running the most efficient business we can, while growing volumes. Our ability to do so, and thereby enabling western Canadian trade corridors to perform to their fullest extent, is largely predicated on a reputation of reliability, predictability and consistency across all facets of the supply chain in which we operate. Reliable relationships with our suppliers and commercial partners, honest and good faith collaboration with our landlord and regulator, and a level playing field for developing sustainable and affordable capacity are all key elements required for fully optimizing Canada's western trade corridor.

As Canada's trade relationships continue to diversify, it is critically important, both in the short and long term, that we fully maximize access to those markets. In order to build the strongest trade corridor possible, we strongly encourage the Government of Canada to continue focusing on making the most strategic and informed capital investments in key western Canadian port infrastructure as well as in the marine environment.

These investment decisions should be made through collaborative frameworks like the Gateway Transportation Collaboration Forum, and be based upon informed input from relevant industry stakeholders. They should include suitable funding mechanisms, and fully leverage B.C.'s trade potential by investing in prioritized common user projects that have demonstrated support from the private sector. If these investments are not made based on these principles, they will not generate positive results that benefit the supply chain as a whole.

We welcome the committee's engagement on these important matters and look forward to seeing the culmination of your work.

Thank you again for your time, and of course I welcome any questions.

• (1125)

The Chair: Thank you very much.

Mr. Booker, please.

Mr. Rob Booker (Senior Vice-President, Operations and Maintenance, Neptune Bulk Terminals (Canada) Ltd.): Good morning. My name is Rob Booker, and I am Senior Vice-President of Operations with Neptune Bulk Terminals.

Unlike Roger, this is my first time testifying anywhere, so I apologize if I am a little nervous this morning.

The Chair: We're a friendly bunch here, so you're fine.

Mr. Rob Booker: Why Rob Booker and why Neptune? I'll give two quick answers to that.

I have my third career in front of me. All my years have been related to export: mining, a career in longshore as a unionized person, and finally in management and the development of port and terminal growth.

Why Neptune? Neptune is on the north shore. If you get the opportunity, please come and visit us. Marko has talked a little about density and intensity. We have 29 hectares, a little less than 3% of the port land area. We will handle 11% of the volume this year. We will be \$4 billion of export for Canada this year. We are exclusively Canadian. Everything we receive is mined in Canada and exported for Canada. Every job associated with that is a Canadian job. It's a taxed job in Canada. It is all by rail. We do no trucking. We are 100% on rail.

Out of the many presentations you will hear today, eight of them directly impact our ability to compete or operate. The port of Vancouver, the railways, the port authority, the pilots—six others indirectly impact. If the Port of Nanaimo this morning decides there will be no more anchorages for the port of Vancouver, I'm in trouble, as a business. The interconnection in logistics is massive.

Our experience with the federal government and infrastructure has been exceptional. The north shore trade area was ready to go in 2008-09, and finished \$400 million of work with the port. The federal government put up \$268 million of that \$400 million. Industry will put up the remaining \$232 million. Neptune will be responsible for \$120 million of that payback for that infrastructure in the end.

Out of that \$400-million investment on the north shore, a billion dollars in infrastructure was built. That was round one. When you hear about G3.... Peter Xotta hates it when I say this. He's talked about the port of Vancouver being the largest port on the west coast and the largest port in Canada. The north shore alone, if the rest of it fell into the ocean—and the earthquake people hate it when I say that—we would still be the largest port in Canada, just that string of terminals along the north shore. When CN and CP talk about the intensity of rail activity to the north shore, that's a piece of that.

Neptune alone is responsible for 400 direct jobs in Vancouver. Those jobs pay well enough to allow you to buy a house here. That's no small feat. The indirect jobs associated with us as a primary outlay are about 20:1. Mines, rails—all those indirect jobs are fabulous.

Where do we go next?

We're excited about the current proposed round of funding. Much of that is beyond the north shore, but it facilitates access to the terminal. That's great news. It answers an immediate concern. We're investing \$500 million. CN and CP talked to you today about investing \$340 million. We're in a two-year, \$500-million investment process to take our terminal capacity to 30 million tonnes. Today we're exporting 17 million tonnes. By the end of 2020, we expect to be exporting between 28 and 30 million tonnes through Neptune. That's a growth of 160,000 railcars annually to almost 320,000 railcars annually, and from 300 ships a year to 650 ships a year, through 3% of the footprint, or 29 hectares. It will double our impact on the economy—close to \$10 billion by 2021.

The challenge in front of you.... I'm afraid you have the unlimited problem. You have the end of unlimited rail capacity. During my entire career I've been the beneficiary of that, but I think you've heard today that that's coming to an end. It doesn't exist. We've had the benefit of unlimited industrial land. That's coming to an end. You also have the benefit of unlimited demand for Canadian products—unlimited demand for Canadian grain, unlimited demand for Canadian potash, unlimited demand for Canadian steelmaking coal.

It's a difficult task. You've been challenged with current capacity issues, and you've heard some long-term capacity issues. I think there are significantly different strategies required to address this. Should significant damage to the rail bridge occur, we would be in significant trouble economically.

• (1130)

I'll close with that.

The Chair: Thank you very much. It's amazing how we talk about millions and billions everywhere, especially with this committee.

We'll move on to Mr. Liepert.

Mr. Ron Liepert: Before I ask a question, I need some clarification. One of the things that always happens before these committees is that witnesses come and testify and use terminology that.... I can't speak for my colleagues, but we're a couple of prairie guys. What is the north shore? I thought this was the west coast.

Mr. Rob Booker: The north shore is the difference between Crowsnest Pass and Banff.

Mr. Ron Liepert: Where are we talking about? I'm relatively familiar with the west coast.

Mr. Rob Booker: The north shore is everything that's on the other side of the Burrard Inlet from downtown. If you go over the Second Narrows Bridge and you go over the Lions Gate Bridge, you are on the north shore. Mr. Xotta talked to you this morning about a sulphur pile at the Lions Gate Bridge—

Mr. Ron Liepert: That's the north shore. What's the not north shore?

Mr. Rob Booker: The south shore, which you heard about from CP in great detail relative to rail line access and container terminals, that's the south shore.

Mr. Ron Liepert: Where is that?

A voice: It's this side of town.

Mr. Ron Liepert: This is the south shore. Okay. We have that clarified.

I did want to ask a couple of questions.

You're Burlington Northern.

Mr. Roger Nober: Yes. We were originally the Great Northern, then the Burlington Northern and now BNSF.

Mr. Ron Liepert: Did I hear you say you had 38 miles or kilometres of track?

Mr. Roger Nober: That's kilometres in British Columbia since 1909.

Mr. Ron Liepert: You go from the port...?

Mr. Roger Nober: We go from the port to Blaine.

Mr. Ron Liepert: To Blaine, Washington...? Okay.

With the lower Canadian dollar, are there lower-cost possibilities for exporters to the U.S. to come into Canada and use your facilities? I'm thinking about dockage fees and all those other things, if they're in Canadian dollars versus U.S. dollars—and God knows our Canadian dollar could be even lower yet the way we're going. Could you comment on that?

Mr. Roger Nober: Canadian ports have a number of cost advantages over some of the United States ports. They start with the cost of labour, the ability to be more efficient in terms of using technology, and the harbour maintenance fee—tax does not apply to containers and goods coming into Canada. Then you add the dollar and some of the public-private support for infrastructure. Those are competitive advantages for Vancouver.

On the other hand, one of the things exporters or importers will look at is the size of the local market. Los Angeles–Long Beach has a much larger footprint from that standpoint.

Clearly, you just look at the numbers and Vancouver has been winning market share among west coast ports. There's no question about that.

Mr. Ron Liepert: I wanted to follow up in a similar vein with Marko.

You said you have container facilities in Jersey and somewhere else in the States.

• (1135)

Mr. Marko Dekovic: We have two terminals in the Port of New York and New Jersey. One of them is on Staten Island.

Mr. Ron Liepert: What could Canada learn from the U.S. in terms of your experience in operating both in Canada and the United States? What are some things they do better than us that we could look at incorporating here?

Mr. Marko Dekovic: There probably isn't much. In fact, the learning would probably go the other way.

Mr. Ron Liepert: That's good to hear, but there has to be something.

Mr. Marko Dekovic: Just to give you an idea, New York and New Jersey is not a gateway port. It's a massive local market. There is a lot of trucking, yet there has been no truck reservation system in place. We had a truck reservation system in place for a while. We actually transferred that knowledge from here and were the first ones to do it over there. That's an example where we transferred knowledge from here to there.

Something that is perhaps different there is the port authority has a much clearer mandate. It's a complex mandate but a clear mandate. It's a lot more transparent and a lot more directly linked in the governance model to elected officials. It's complex because it's a bi-state authority. People would say there's a higher level of accountability.

Mr. Ron Liepert: What about things like regulatory burdens? Are there regulatory concerns in Canada that they don't have in the U.S. in your business that we could learn from?

Mr. Marko Dekovic: They're pretty similar.

Mr. Ron Liepert: Are they? Okay, and what about taxation policy, as an operator?

Mr. Marko Dekovic: I'm not the expert on that, so I could get back to you, but overall it's a very different taxation model because the port authorities and everything that happens there are very much state-owned and state-run.

Mr. Ron Liepert: All right.

The Chair: Mr. Hardie.

Mr. Ken Hardie: Thank you, Madam Chair.

I'm not going to disappoint your colleague Mr. Ketcham, Mr. Nober. I do want to talk about your line through White Rock and along the coast. If trade grows, given the speed constraints and risk of slides, etc., how do you square that?

Mr. Roger Nober: We certainly recognize that the communities of White Rock and Surrey have had concerns about that rail line, and community concerns about our volumes that have gone through there, and we have been working with them for many years to try to mitigate some of those issues, some of which involve operating practices and some of which involve infrastructure, like pedestrian bridges.

We believe the line has sufficient capacity to be able to handle a reasonable amount of increase of volume, and when you're dealing with consumer products, you often have unit trains that provide a great deal of efficiency. I think some of the concerns of the community are really very long-term concerns about the location of the line and how that would ever be mitigated or addressed. Those present a lot of challenges. A number of communities across our system have similar kinds of concerns and they're all very difficult questions because the community—

Mr. Ken Hardie: I'll have to interrupt here because I have some further questions, but your experience is not dissimilar from communities all around metro Vancouver that are next to either port facilities or rail facilities, or in the case of Knight Street, which connects a huge amount of heavy truck traffic from the Fraser River up to Burrard Inlet, and probably connects with your operations, Marko.

Rob, you went into an area that I'd like to see expanded by both of you gentlemen. You've been here. You've been listening. What have you heard so far, and what have you heard that either gives you confidence or concerns about the level of investments you want to make to improve the density of your operations and increase the capacity?

Mr. Rob Booker: With specific reference to Bill C-69 and the potential to have CEAA be the regulator for environmental approval, we wouldn't have invested. If that had been the condition two years ago, we would not have made the \$450-million investment, because there's no certainty in process. It's really simple. From a business perspective, if there's not certainty in income or outcome, even in timeline—never mind yes or no—if there's just no certainty in timeline how can you make an investment?

• (1140)

Mr. Ken Hardie: Marko.

Mr. Marko Dekovic: You have the rail capacity where we're looking to invest in the south shore, our GCT Vanterm terminal. Rail capacity is key to the investments the government is making in the south shore with the port and the private sector. It's key to enable that ongoing and continued investment in densification of that terminal to continue growing.

Mr. Ken Hardie: When we consider that the size of vessels is increasing, and the number of containers that will arrive at any given time has gone up quite substantially, again looking at rail capacity, do you have confidence that they're going to be able to move this large bulk of containers—mixing two analogies here—as efficiently as the ships that bring in all those containers?

Mr. Marko Dekovic: That's a great question. We're all as strong as our weakest link in the supply chain, so yes, with larger ships, we need to be investing in land-side surge capacity. That means the terminal operators and the railways have to be making the necessary investments and we as terminal operators have to do what we can to facilitate the speed at which we move the containers off a ship to a train.

As an example, we went live this Monday with our \$300-million investment project at Deltaport, where we have densified our existing rail yard through semi-automation. It's an example of where we're going to increase the capacity and the velocity of cargo moving from a ship onto a train through our terminal to deal with the larger ships and helping the railway partners by loading up the train cars at better speed.

The Chair: Thank you very much.

We'll move on to Monsieur Aubin.

[*Translation*]

Mr. Robert Aubin: Thank you, Madam Chair.

Gentlemen, I thank you for being with us today.

Mr. Nober, earlier when Mr. Dekovic answered a question about the harmonization of American and Canadian regulations, I saw you nod your head and I sensed that you may have wanted to add a qualifier to that decision.

I would like you to hear from you on the same question.

[English]

Mr. Roger Nober: I was thinking about that very well-posed question.

Given our experience in Canada and our experience in the United States, do we see any part of the United States that would have regulatory lessons for Canada? I was thinking to myself, can I even think of one? There are some that go both ways.

I would say that in terms of the permitting and right-of-way maintenance process, there are some procedures for categorical exclusions, let's say, from environmental review. They take maintenance practices that are happening routinely and repeatedly over and over again and say that they'll just review those once and determine that they don't need individual reviews.

We're a very capital-intensive business, as you heard from CN and CP. Even for our investment of \$50 million, which we've done in our 38 kilometres here in British Columbia, the ability to receive regulatory approval to be able to act on those is important.

That's one place where I confess that I don't know if Canada has the same if you look at the long-haul carriers, but that's a place where, when the U.S. regulators are being co-operative, things can work very well for approval to work on our tracks.

[Translation]

Mr. Robert Aubin: Thank you.

I come back to you, Mr. Dekovic.

You spoke of growth by densifying activities at existing terminals. First, I have a very simple question to resolve my ignorance.

Is the Port of Vancouver now able to receive Super Post-Panamax ships, or is it limited to Panamax?

[English]

Mr. Marko Dekovic: Yes. Currently, at the port of Vancouver in particular, GCT Deltaport is equipped to handle the largest vessels that could call or that are in the trans-Pacific trade. We can receive vessels of up to 22,000 TEUs at Deltaport.

[Translation]

Mr. Robert Aubin: I understand that, if you opt to densify terminals, it is because it is hard to increase the space at the Port of Vancouver.

What percentage of increase do you hope to achieve through the densification of activities?

Will it have a significant impact on fluidity of ship traffic for ships that must now anchor off the port while waiting their turn to load or unload?

• (1145)

[English]

Mr. Marko Dekovic: Those are very good questions. Thank you.

On densification, I mentioned a rail project as an example. We have managed to increase our overall terminal capacity by 33% just by redoing the layout, semi-automation and densifying of the tracks on the terminal, and changing the way we operate. There was no additional land, but there was a 33% increase in the entire terminal

capacity. That's an example of handling the larger ships and a bigger surge capacity.

As for whether ships will be delayed as a result, we have the necessary cranes to handle the largest ships right now. Container ships, unlike the bulk carriers, perhaps, run on a pretty scheduled program. In fact, the Port of Vancouver has an incentive program to encourage the container ships to come on time, which allows us to properly plan our terminal labour and terminal operations, as well as the railways. That integration of the supply chain is encouraged. As I mentioned before, the velocity of cargo will move as fast as the weakest link in the supply chain.

The Chair: Thank you very much.

Mr. Iacono.

Mr. Angelo Iacono: I'm giving my time to Mr. Hardie.

Mr. Ken Hardie: Thank you, Angelo.

On the issue of the development at Deltaport, to what degree does the potential in the plan there influence decisions that are being made in the south shore in particular?

Marko.

Mr. Marko Dekovic: I think we, as was mentioned, as a general concept would think of utilizing the existing operation as much as possible before we look at creating a new footprint as the approach. We know that our competitor and neighbour, DP World, is growing their terminal at Burrard Inlet. I mentioned that we have plans to incrementally increase capacity in Vanterm as well, on the south shore, in Burrard Inlet. Then, of course, we would be looking at what more we can do at the existing GCT Deltaport terminal at Roberts Bank.

They're interconnected. Ultimately what we want to do to maintain Canada's competitiveness and to maintain the port of Vancouver's competitiveness is to look at how we can build incremental capacity at the lowest building cost and where that comes from. If that means it's coming from Burrard Inlet, from Prince Rupert or from Roberts Bank, it is about how we are ensuring that we have a cost-competitive gateway and that we continue to be the preferred Pacific gateway into North America.

Mr. Ken Hardie: You've expanded.

Mr. Booker, you've expanded. DP has expanded.

Do you, gentlemen, have a sense cumulatively about how much additional pressure that's going to put on, first, the railroads and then, second, the regional road network?

Mr. Marko Dekovic: Maybe I'll start. The rail capacity in particular on the south shore is something that is of key interest to us, because, as you've heard from the previous testimonies, the south shore rail corridor is constrained. As we plan our capacity expansion, it is hard to nail down or have a very clear picture of what the ultimate capacity of that rail corridor is and what improvements need to be made in what order.

We are collaborating with the port authority and the railways to try to come up with a general agreement or sense of that capacity to ensure that we're not overbuilding capacity and then ultimately not being able to serve it.

As far as the Deltaport expansion goes, the current project we delivered is really all rail expansion, so we don't expect increased truck traffic, while the Burrard Inlet expansions from both terminals are slightly more truck-focused, so there probably will be some related truck traffic increase in the south shore as well.

Mr. Ken Hardie: Are you doing anything with the inland port at Ashcroft?

Mr. Marko Dekovic: GCT in particular is not currently doing anything active with Ashcroft. We have, for a number years, had ongoing discussions and information sharing with them to look at identifying potential opportunities. That hasn't happened as of yet, and we did recently note that they've been acquired by an international terminal operator and a port. We're also looking to see if they bring something new to the market or a new offering.

• (1150)

Mr. Ken Hardie: Mr. Booker, do you have anything to add?

Mr. Rob Booker: For the north shore.... You heard about the tunnel and the increased capacity from tunnel modernization, existing capacity construction that's ongoing, G3, Neptune, Fibreco on the north shore, as well as planned capacity by others. If 85% of that capacity is used, it will use 100% of the increased tunnel. Everything we're building today is planned to be used.

Mr. Ken Hardie: If you want to grow further, where are you going to do that?

Mr. Rob Booker: That comes with things, I think, along the lines of crewless locomotives. From a terminal link side, the engineering of bulk handling will meet the capacity needs and the footprint we have.

The Chair: Thank you very much.

We go now to Mr. Badawey.

Mr. Vance Badawey: Thank you, Madam Chair.

You spoke earlier about infrastructure requirements, and I heard from the last delegation as well that bridges and other areas of infrastructure need to be invested in by the federal government.

This is a question to Mr. Nober with respect to us, the federal government, investing in some of those bridges.

I know in Niagara there's a bridge that crosses over the Niagara River, and I was told when we were down there this past week that if in fact there was another bridge that was to be built, that wouldn't be dedicated only to CN and CP. It could also be dedicated to other class 1s. I thought it would be advantageous to move additional trade between Canada and the U.S.

Are you in the same situation?

Mr. Roger Nober: Not in Niagara—

Mr. Vance Badawey: No, not in Niagara, but up here in this area.

Mr. Roger Nober: Obviously, we believe strongly that the public-private partnership model that the Canadian federal government has followed for development of trade corridors has been of benefit to the communities. It's been of benefit to the carriers. It's been of benefit to increasing trade.

With respect to a specific bridge or a specific project, I'd have to think about that a little bit, but in terms of the general model, though, when you provide public-private partnerships to help fund necessary infrastructure, as member Hardie was just speaking of a minute ago, to help handle community impacts, that is a model that we strongly advocate the United States follow Canada on because that has really worked to help increase trade, and we know that would ultimately have an impact.

Once our line gets south of the metro area and toward the border and into the United States, we've improved its infrastructure by notching the tunnel in Bellingham to be able to handle double-stacked containers. But as folks on the last panel and this one have said, congestion in downtown and in near-town Vancouver is a concern, particularly with added traffic. That's a place where we think the federal government could show real leadership.

Mr. Vance Badawey: Thank you.

The main reason why we're down here is to solidify, establish, a more formalized trade corridor strategy. With that, that strategy would attach itself to the region obviously here in B.C., but equally, if not more importantly, to the domestic market, to the national market and to the international market. With that said, what we count on as a take-away from this session is to establish a dialogue and communication with all the partners.

My question to all three of you is this. Do you have that dialogue now happening regionally? Secondly, is it advantageous for you and is it doable for you to actually carry on that dialogue with your partners at the federal and hopefully the provincial—if they would be willing to participate—levels of government, to then, therefore, more formalize a domestic, national, as well as international trade corridor strategy?

Following that, quite frankly, what it gives us a better ability to recognize is where ultimately the trade corridor funding would go for a long-term plan, and therefore, better returns.

Mr. Roger Nober: If you like, I can start.

We would say that, again, the more collaboration the better. The more there are formal practices, and they've been ad hoc and informal, and more formal over time here, at least from a railroad and our position, we think that's an advantage. It brings structure to the process. We would very much appreciate seeing a more formal process. We want to be a part of the collaboration.

• (1155)

Mr. Vance Badawey: Great.

Marko.

Mr. Marko Dekovic: We have a history of collaboration on the west coast, be it through the Asia-Pacific corridor initiative, and then subsequent investments. Right now there is the Gateway Transportation Collaboration Forum. We think it's a good mechanism to have that dialogue.

Mr. Vance Badawey: I'm going to cut you off because I can feel the chair's eyes on me right now.

Rob, you're the newbie here, so dive in.

Mr. Rob Booker: We have a 40-year lease. We have owners with 100-year deposits. We're in this for the long term. We don't have to be short-term thinkers.

Mr. Vance Badawey: Okay. Thanks, guys.

The Chair: Thank you very much.

We'll move on to Mr. Jeneroux.

Mr. Matt Jeneroux: Thank you, Madam Chair.

I want to follow up on a comment that you made earlier, Mr. Booker, with regard to the impact of Bill C-69, and what the challenges could be. Do you mind outlining for the committee some of the challenges that you and your industry, and particularly your company, face when it comes to Bill C-69?

Mr. Rob Booker: In particular, we've watched our landlord, the port, work through that process and viewed that through the lens of our current permitting to get projects done. The permit process we have is complex. We get a permit from the port, and then we have to go and get a permit from a regional regulator on top of that. That regional regulator has tried to impact our ability on capacity, to write permits limiting capacity.

When we watch the timeline on CEAA and the to and fro, it's very difficult. I sit here in the position of somebody who has a 40-year lease and 100 years of deposits to export. I look at that challenge and go, there's no certainty. The single biggest issue inside that is the lack of certainty from a business perspective.

Mr. Matt Jeneroux: Okay. That's interesting.

I noticed that the other two proponents were shaking their heads in agreement. I'll leave it to them to maybe put it in their own words some of the challenges that Bill C-69 makes for your organizations.

Mr. Dekovic.

Mr. Marko Dekovic: Bill C-69 is generally a step in the right direction, but the key will be the execution. The concept is good, but much like some other regulatory processes, while it looks good on paper, it is how it is executed and how the timeline is kept.

Therefore, we are supportive of its general direction. I would echo some of Rob's comments that we definitely want to make sure that certain projects that are on federal land, that are currently being regulated by existing federal regulatory agencies, should probably stay.

One thing we would support is that in cases where, for example, the port authority is the project proponent, it should not be its own permitting reviewer. With Bill C-69 looking at that and pulling that out, we think that's a step in the right direction. It just creates a better, more transparent, more accountable process, which will ultimately build trust from the public, and I think that's ultimately what Bill C-69 is attempting to do, to rebuild confidence in the regulatory process.

Mr. Matt Jeneroux: Mr. Nober, do you have a comment?

Mr. Roger Nober: I have nothing to add.

Mr. Matt Jeneroux: Chair, those are all my questions.

The Chair: Mr. Aubin.

[Translation]

Mr. Robert Aubin: Thank you, Madam Chair.

I would like to spend the few minutes I have left with Mr. Booker.

You are somewhat of a prophet preaching in the wilderness. You are the first to say things that we don't want to hear because we are always talking about growth. For your part, you state that the capacity for growth in the rail sector is reaching its end.

In your mind, when you say that, is there a deadline?

[English]

Mr. Rob Booker: I don't know so much about our horizon as the opportunity. I was asked about the Second Narrows rail bridge and the tunnel. There is a twin opportunity for the federal government and terminals at the port: twin that bridge and twin that tunnel.

It's a key risk in the supply chain today. If that bridge and tunnel go down for any reason, the economic impact will be incredible. It will be catastrophic. It's an aging asset. It's over 55 years old. It's going to take us 20 years to build another one, so start now.

My message is not so much that we're at the end; it's that we're too slow. We're way too slow in addressing the Fraser River rail bridge. There are key, critical, single-line pieces in the infrastructure chain that impact our logistics, and if we don't start acting now, with the pace of our ability through all the processes... We have to get on it.

• (1200)

[Translation]

Mr. Robert Aubin: Does our slowness in implementing this infrastructure, if that is the right thing to do, have a direct impact on the price of goods internationally?

Are some products being made rare because we are unable to export them as much as we would like, due to a lack of means, or are our foreign competitors taking advantage of the situation?

[English]

Mr. Rob Booker: Certainly I can speak from the coal side of that business, and in particular, metallurgical coal from Australia. Absolutely Australia has rebuilt their facilities. Their intensity on a footprint is huge. On my 29 acres, the Australians would move 60 million tonnes of coal.

In terms of their pace, it took them from 2016 to 2018, two years, to build that facility and the support infrastructure behind it. I don't think we could do that in Canada in 10 years right now. It's not that we have a bad process. We're just slow to get there.

[Translation]

Mr. Robert Aubin: Thank you.

[English]

The Chair: Thank you very much.

I understand Mr. Badawey has one additional question.

Mr. Vance Badawey: I do have a quick question. Hopefully those who were here from before will be here for the next round of delegations.

Concerning the national trade corridors fund, Mr. Aubin correctly identified something that we heard earlier about the Fraser River bridge. Has there been some thought given to a collaboration by all of you to make an application to the the trade corridors fund to replace that bridge, versus just one of you or maybe just a part of you, but to actually get together as a region and make that application together, obviously for the benefits you've outlined?

Ken, did you want to add to that?

Mr. Ken Hardie: Yes. Basically, we're talking about two bridges and a tunnel.

Mr. Rob Booker: Partly from a port perspective, being engaged as a B.C. maritime operators member and looking at that infrastructure and when that money will be made available, it's not put to us as to what the priority is. It's put to us as, here's a dollar amount that we think we can afford to spend as the federal government, and as business people, we're very cognizant of that reality.

Now we're stuck in the position of what the best decisions are for those dollars, relative to the capacity that we're experiencing today. It's always hard to get to the foundation of the house, when you have no shingles on the roof.

Mr. Vance Badawey: Taking into consideration what the net result is going to be, from the plus side on your balance sheet, to then make room from your operational or expense side to actually be able to support further investments by you and to then annually, with discipline, contribute to financing that debt, that is the consideration that you have to make. What is this bridge investment going to give you to contribute to your bottom line to then invest in other capital projects that your operational side, through the annual budget, would contribute to, with respect to any financing of debt and/or financing of a reserve that would pay for those future capital projects? That's the consideration.

That's why I asked the question. You're not in this alone. If that application could be made for the benefit of all of you, then why isn't the application being made on behalf of all of you?

Mr. Marko Dekovic: In particular, I think that the Fraser rail bridge is a good example and perhaps something that will require the Gateway Transportation Collaboration Forum to dig in deeper. It is regularly talked on. Again, it's just a matter of near-term priorities, but as you know, I believe the Fraser bridge is owned by the federal government and operated by CN Rail. The railway services the port terminals, both container and bulk, so it is a perfect opportunity for massive collaboration and to sit down together and figure out how, who and when best to apply.

It's definitely something that's on the radar of the Gateway Transportation Collaboration Forum.

The Chair: Thank you all. It was invaluable information that we received from the panel, as well as the others. Thank you very much.

We will suspend for a moment, while we switch panels.

Thank you.

• _____ (Pause) _____

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• (1210)

The Chair: I'm calling the meeting back to order.

Thank you all very much.

Now with us from the BC Marine Terminal Operators Association—Marko has decided to stay, he liked it so much—we have Brad Eshleman, who is the Chair. We also have, from the Canadian Ferry Association, Serge Buy, the Chief Executive Officer, and from the Port Alberni Port Authority, we have Zoran Knezevic, President and Chief Executive Officer.

Welcome. We're happy to have all of you here.

Mr. Buy, would you like to start? You have five minutes, please, and when I raise my hand, they'll cut you off.

We would love to hear your comments.

Mr. Serge Buy (Chief Executive Officer, Canadian Ferry Association): That sounds good. Thank you, Madam Chair. The clerk must have mentioned it a number of times to us, so I'm cognizant of the time.

We are the national voice of the passenger vessels sector in Canada, and our members include ferry operators from across the country: provincial governments, municipalities, indigenous organizations, and private corporations. We range from small operators bringing trucks and cars to remote communities to BC Ferries, one of the largest ferry operators in the world.

Every day across the country, Canadian ferries bring people to work, tourists to their destinations, and goods to market. They are an integral component of Canada's transportation infrastructure and an essential service for many living in remote communities.

Annually, our sector transports more than 53 million passengers in 21 million vehicles. Often overlooked is the considerable amount of goods that are transported aboard Canada's ferries, worth billions of dollars annually. For example, Marine Atlantic annually transports more than 100,000 commercial units and accounts for more than 50% of all the goods shipped to Newfoundland. In fact, when sailings are delayed due to weather, communities across the province experience food shortages.

Similarly, the BC Ferries service is fundamental for those on Vancouver Island or in remote or indigenous communities throughout the Inside Passage, Gulf Islands, and Haida Gwaii. Put simply, it's how all goods, foods, supplies, and fuel reach those communities.

Given the unique nature of ferry vessels, we believe that our sector is well placed to help the federal government to achieve its goals under the transportation 2030 plan if steps are taken to allow us to reach our full potential.

Currently there are many government programs that support a wide range of activities related to the marine and transportation sectors. However, the criteria for some of those programs are too restrictive and do not account for the realities of marine transportation. As an example, there are support programs that are available for passenger-only transportation and others for goods-only transportation. The reality is that ferry vessels often transport both goods and passengers together, making us ineligible to apply to any of those infrastructure programs. This is an easily corrected problem that is putting certain remote communities at an unfair disadvantage. Changing the criteria for those support programs would allow for more efficient transportation of goods to communities across the country and a more optimized transportation system as a whole.

This government has taken historic steps to support research in many ways and across many sectors. However, we believe that innovation in marine transportation is one area that is lacking. As an example, there are over 1,800 Canada research chairs across a variety of disciplines, but not one related to marine transportation.

Canada, and indeed Vancouver, is home to many world-leading companies that are undertaking research and development projects, ones that are aimed at reducing vessel noise and carbon emissions, making travel more efficient and more. As the transportation 2030 initiative lays out a plan supporting innovative technologies, our sector believes this is an opportunity to support those Canadian innovations and the marine transportation system as a whole.

By offering more support for sector-wide research, including naming a related Canada research chair, the federal government will be giving our sector the tools it needs to make our transportation system more efficient.

Thank you, Madam Chair.

•(1215)

The Chair: Thank you very much.

Mr. Eshleman is next.

Mr. Brad Eshleman (Chair, BC Marine Terminal Operators Association): Thank you very much for having us here today.

My name is Brad Eshleman. I'm the Chair of the B.C. Marine Terminal Operators Association. We represent all the major export and import terminals on the west coast of Canada, handling over 120 million tonnes annually and virtually 100% of the trade on and off deep-sea vessels on the west coast of Canada.

We were established in 1963, so we have a long history on the west coast. Our mandate is to improve the economic and environmental viability of B.C. marine terminals and invest in and promote the value of the port industry to local communities, the province and the nation. We're very engaged in our local communities. We're engaged with first nations in all the ports we operate in. Our members are also significant sponsors of local charities and community events and those in need in our community.

Investment in our terminal capacity has been the primary objective of our members over the last number of years. In addition to the jobs that we've created, we've invested over \$3 billion in the last eight years. We have \$3 billion in invested in terminal capacity, and we have potential future investments of over \$5 billion. This has all been

enabled through the support of government investments in trade corridor infrastructure and the B.C. Ports Property Tax Act, and it's through private industry.

What this has resulted in is the creation of family-sustaining jobs. The longshore hours of work have increased from approximately six million hours in 2008 to a projected nine million in 2018. That's a 50% increase in hours. These investments have resulted in an increase of over 2,000 family-sustaining jobs throughout the marine industry alone. These jobs come with good pensions and good health benefits.

I have some comments for the committee. The west coast is Canada's gateway for western Canada's commodities to the world. Terminals play a central role in driving innovations and capacity, given their position as a convergent point in the supply chain. We have demonstrated significant success in working together. Governments, with private industry, have joined to expand Canada's trade capacity to the world with the investments that the federal government has made in the trade corridors and that the private industries have made.

However, there are a number of areas that we need to focus on to continue this success. One is that further investments are needed by governments to address bottlenecks in the trade corridors. This requires a coordinated approach with input from industry stakeholders to ensure that maximum benefit is derived to increase capacity.

Another one is preserving and creating new terminal capacity. Terminal land with deep water, road access, and rail access is in short supply on the west coast. Continued investments by terminal operators to create capacity is required to meet our trade demands. Canada's current regulatory environment seems to be creating more obstacles to investment rather than a clearer path. This is obviously a concern to the terminals that are investing to help handle those goods for Canada's trade to the world.

I know there is a current review going on with respect to environmental reviews and how we're going to handle those in the future, and I would ask that the federal government be mindful of that, as bringing terminal investment forward in a timely basis is critical for that investment to happen.

You will note that there is a grain terminal being built in Vancouver right now called G3. It will be the most efficient grain terminal on the west coast of North America, handling over eight to 10 million tonnes annually. This investment, if it had been delayed in environmental regulatory processes for a lengthy time, likely would not have occurred. The panel needs to be aware of that.

Another item is addressing competitiveness and productivity issues. It's important we work with labour to improve the efficiency of our transportation systems or risk being non-competitive with other ports in the world market. We must recognize that people are the central consideration to the marine sector's ability to support the economy and the reliability of our country's supply chains. It is important that we be viewed as an efficient and reliable port of call for shipping companies to compare and call and pick up or drop off goods.

We're currently reviewing labour availability. It has been an issue with respect to our industry. Right now we have increased capacity, so it creates strains on our system.

• (1220)

Labour practice is under review. We're currently negotiating a collective agreement with our labour partners, which is going well right now. However, we do not want to see a slowdown or labour disruption in the future, as that goes to the credibility of our trade and our ports in the world's eyes.

The Chair: I'll have to stop you there.

Can you make your additional comments and respond to some of the members' questions?

Mr. Brad Eshleman: Sure.

I just have two more sentences and then I'm done. Is that okay?

The Chair: Go ahead, sir.

Mr. Brad Eshleman: The global economic development is projected to continue. For Canada to participate in this growth, we need significant investment in trade infrastructure and marine terminal capacity. Canada's trade with the world provides the underlying support for our standard of living, social systems, and the overall well-being of our country.

Thank you.

The Chair: Thank you very much.

We're moving on to Mr. Knezevic.

Mr. Zoran Knezevic (President and Chief Executive Officer, Port Alberni Port Authority): Thank you. I'll time myself, just in case.

For the benefit of our Alberta friends and everybody else, I'll explain where we're located.

I come from Port Alberni, representing the Port Alberni Port Authority.

Mr. Ron Liepert: I know where that is.

Mr. Zoran Knezevic: We are located in the heart of Vancouver Island, at the end of the long inlet—or deep, natural fjord—open to the Pacific Ocean. We do have a lot of answers to the concerns and problems that we are facing today, especially with the project that we are proposing to develop, a large container terminal in the Port Alberni Inlet to be used as a transshipment hub to help alleviate congestion in the Lower Mainland.

To elaborate more, each cargo ship passes in front of the Alberni Inlet when it's on its way out of the Salish Sea area. Then each cargo ship goes to Seattle to offload and load cargo and then goes to

Vancouver to do the same thing, and a week or so later passes by on its way back to Asia. Once the cargo is offloaded on the Lower Mainland, it gets put on a truck that goes up and down the city streets and creates congestion and problems with traffic and commuters.

Furthermore, we are moving a lot of cargo by rail as well. Alberta is a bit of a culprit in that too. It moves a lot of cargo to distribution centres in Calgary and Edmonton to be offloaded, and then the empty containers are brought back, congesting our railway to a degree. Those distribution centres have been moved to Calgary and Edmonton because of the lack of space and the cost of a warehouse, which is quite high in the Lower Mainland.

Essentially, we are proposing to create a large hub and then sort out the cargo and deliver that cargo by barge to the closest point to the end-user, at the same time alleviating congestion on the road and bringing that cargo up the Fraser River to Port Kells, to Annacis Island, right next to the warehouse. This would minimize the truck traffic and impact on the community. It would also deliver a full trainload to Deltaport and Vanterm terminals that was destined for eastern Canada, and essentially unload the full train directly from the barge, increasing optimization and efficiency.

At the same time, we will be able to open up Vancouver Island, which my colleague this morning mentioned, is growing in population. Right now, the population of Vancouver Island is about 800,000 people. We are expecting to grow, as the CEO of the Port of Nanaimo mentioned, to 1.5 million. It's a large population base on its own. Just to compare, that is one-third of the Lower Mainland. It's larger than three eastern Canadian provinces. If we grow to 1.5 million, we'll probably surpass Saskatchewan and Nova Scotia in population. All our goods and everything we produce or consume has to go via the Lower Mainland, which creates congestion in the Lower Mainland on road and rail, and doesn't allow direct access to the international market for the businesses and companies we have on Vancouver Island.

The PATH project, or the Port Alberni trans-shipment hub will essentially help alleviate a lot of those problems both environmentally and economically. It will help alleviate road and rail congestion as well.

Thank you.

• (1225)

The Chair: Thank you very much.

We are joined by Gagan Singh from the United Truckers Association. Welcome.

Please keep your comments to five minutes or less so that the members can get their questions asked.

Mr. Gagan Singh (Spokesperson, United Trucking Association): Thank you so much.

Yes, of course. I am also putting on my cellphone, so I'll be looking at that even though in my brief, too, we have tried to cap this.

My name is Gagan Singh. I am spokesperson for the United Truckers Association. The short term is UTA. We help a total of almost 1,100 people. A few of those are owner-operators and a few of them are company drivers. The total impact is approximately 10,200 direct jobs and over \$2.75 billion in economic impact. I am here today because of the Catch-22 that our organization has faced over the last four years. We don't understand where we stand—where we are starting from and to where we are reaching. We have the same terms and we don't understand where we stand.

In March 2014 there was a big strike, which was ended by a 14-point joint action plan signed by the Government of Canada, the B. C. Government, the port of Vancouver, UTA, and Unifor, who were partners in that. Today, more than four years later, several commitments in the agreement have still not been lived up to, even four years after that date. For example, the wait time fee, which was supposed to be paid out to our truckers at the designated points, is not being paid out. As of today, the points specified in the agreement have never come into effect.

Our organization is concerned with the lack of accountability that exists for any issues regarding the port of Vancouver. The Office of the BC Container Trucking Commissioner, which is an entity run totally by the Government of British Columbia, is doing a tremendous job.

When we speak to our local members of Parliament—and I know that the honourable Mr. Ken Hardie is also sitting here—I do believe that probably their hands are tied because the port is run in the federal jurisdiction but it does its work independently.

Finally, our communications with the port of Vancouver are for the most part unsatisfactory with regard to the policy changes. We are a major part of the joint action plan for 2014, but most of the policy changes are not communicated to us.

We have reported incidents of harassment, and no action has been taken. Most recently the UTA was threatened in a letter for alleged actions that our members are not responsible for. Sometimes our company owners are threatened with losing their licence if they raise their voice, which is clearly to bring down our voice, even though we are in the 21st century in a country like Canada.

Last, UTA stakeholder organizations rely on the facilities operated under the jurisdiction of the port of metro Vancouver, but we are facing a black hole when it comes to accountability.

If you have any questions, I am happy to answer them. In my brief, on the second page, there are some bullet points.

Thank you.

• (1230)

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

We will open it up for questions.

Go ahead, Mr. Jeneroux.

Mr. Matt Jeneroux: Thank you, Madam Chair. I have a few questions here.

I'll start with you, Mr. Eshleman. You mentioned the concerns you have with regard to the new grain terminal. I'll give you a bit more

time to expand on some of your concerns and challenges with potential policies that might come into place.

Mr. Brad Eshleman: I know the federal government is currently reviewing the permitting processes. Currently the port of Vancouver is the permitting agent for developments at our facilities and on federal land. They've gone through an extensive process to update their whole environmental review and permit review process over the last three or four years.

Our feeling is that they do a very good job with respect to the permitting and carrying out of the regulatory requirements under the federal government's mandate. We haven't experienced any issues with respect to the permitting of any of our members' projects.

The time frame to get a permit is sometimes of concern, but our concern if it goes to another body, or to a federal process, is that the time frame is going to increase exponentially. That will likely cause some projects to not go ahead just because of the level of investment that's involved and what all is involved in getting private industry to invest in these types of projects.

Mr. Matt Jeneroux: Has your organization done a risk assessment on which projects may or may not go ahead based on what potentially the legislation is at this point?

Mr. Brad Eshleman: I wouldn't say that we've done a risk profile on the separate projects. No, we haven't done that.

I can speak from experience, as our company is a joint venture partner in the G3 project. I can speak from personal experience there. If there had been a significant delay on that project, given the level of expenditure that was required in that marketplace, it likely would not have gone ahead.

Mr. Matt Jeneroux: Okay.

I'm just curious. Were you and your organization consulted prior to the pending changes?

Mr. Brad Eshleman: Yes, we were. We also did a submission respecting the pending changes, both our association and our company.

Mr. Matt Jeneroux: Did you have a conversation at the federal level with specific ministers at all?

Mr. Brad Eshleman: I haven't had a conversation with a specific minister, no.

Mr. Matt Jeneroux: Moving to—

Mr. Brad Eshleman: Sorry. I have talked to trade.

Mr. Matt Jeneroux: Sure.

Mr. Buy, thank you for your presentation.

You also mentioned that the change in criteria for support of infrastructure projects is a potential challenge for you. Do you mind expanding a bit more on that?

Mr. Serge Buy: I'll give you the example of the new Building Canada fund, which initially was announced by the previous government. Other than the short sea shipping, which could potentially have supported the activities of some of our members, our ferry operators were not eligible because mainly they transport passengers. There was a change in criteria by the government in 2016 to allow some of our operators to participate in that. The then minister of infrastructure, Mr. Sohi, changed the criteria. BC Ferries, as an example, has been receiving funding thanks to that, and the provinces of Ontario, Nova Scotia, etc., so on that front, that's positive. However, there still are funding programs in the new Building Canada fund that are divided between passengers and goods, and we think that's wrong, because some vessels and ferries transport both. We shouldn't limit it to that extent.

• (1235)

Mr. Matt Jeneroux: You—

The Chair: I'm sorry. We'll move on to Mr. Iacono.

[Translation]

Mr. Angelo Iacono: Thank you, Madam Chair.

[English]

The Chair: Is it Mr. Iacono or not...?

The clerk is not sure if she had the names.

Mr. Angelo Iacono: I think it's Mr. Hardie before me.

Mr. Ken Hardie: First of all, I want to speak to you, Mr. Singh. I'm glad you're here. I think we needed to hear what you had to say. I especially invite you to come back for what we're calling an "open mike" session tonight, from 5:30 to 6:30. You'll have an opportunity to delve into that issue.

As you may know, there's a governance review of the port under way.

A voice: It's port modernization.

Mr. Ken Hardie: Well, it's a port modernization review, but governance is clearly a piece of that. This will be an opportunity. We'll do what we need to do to get you hooked into that process.

Mr. Gagan Singh: Of course, we are ready for anything for the betterment of these 1,100 guys.

Mr. Ken Hardie: Given that trucks account for 70% of the movement of goods in Metro Vancouver, it's obviously a key piece of the whole chain. Is it true that 70% of those trucks are mainly for local purposes?

Mr. Gagan Singh: Yes.

Mr. Ken Hardie: I want to talk to the terminal operators about network efficiency.

There are a lot of moving parts. Marko, we've already talked a lot about railroads, and we'll continue to, but there is the road network, and then there's the movement of ships. Every time one piece doesn't work and doesn't mesh properly, it leads to delays and additional costs in the others.

Can you and perhaps Mr. Eshleman comment on the state of the network? How are things performing? Where are we basically wasting time and resources in each part of the network?

Mr. Brad Eshleman: That's a fairly large subject, so I'll probably keep my comments somewhat brief and to specific areas.

On the rail side, there are some rail efficiencies that need to be driven into the system with respect to the movement of cargo. A lot of that has to do right now with crewing sizes, boxcar availability, and some of those things.

Some of the products coming to our terminal will be coming by truck from Prince George or Celgar or different areas in Alberta, rather than by rail. That is very inefficient movement of, principally, pulp products or forestry products, which normally come by rail but are coming by truck now because of boxcar capacity or crew capacity issues. That's just one example.

At the local level, road congestion obviously is a factor that affects Mr. Singh's drivers also. How to open up cargo movement corridors is probably something that could be looked at.

Those are just two examples on the efficiency side.

Mr. Ken Hardie: What about the water side? There are comments, particularly from residents of the Gulf Islands, about the moorage, about ships typically parked there waiting for their moment in the port.

Mr. Brad Eshleman: On the ship side, they're typically either waiting for cargo to arrive at the port or waiting to unload cargo at the port, one or the other. Either the cargo hasn't arrived yet at the terminals for them to come in and berth to load the cargo; or on some of the unloading, there might not be some capacity in the terminal to unload the cargo. Typically most of those vessels are waiting for cargo to arrive at the terminal or to be unloaded.

• (1240)

Mr. Marko Dekovic: One of the things in motion that we should encourage to continue and commend Transport Canada for starting is a transparency or port visibility project. I believe that is the official title. They have just completed the pilot project around bulk movement of cargo, and I believe containers are next. It's a tremendous effort of putting all their supply chain partners together and actually using technology to really monitor and answer the million-dollar question you pose. It's absolutely the right question we should be asking. We haven't had that information, and now the process has started to actually have factual information—that is, what is the weakest link in the supply chain?

It started with bulk, and I think it's moving into other commodities.

The Chair: Thank you very much.

I'll move on to Monsieur Aubin.

[Translation]

Mr. Robert Aubin: Thank you, Madam Chair.

I would like to welcome each of you.

Mr. Eshleman, I will begin with you because, in your preliminary statements, you gave us the four-part recipe for success. In fact, I was able to note four.

The first consists of more investment. We will skip over that quickly, as it is easy enough to understand. The second is reducing bottlenecks. You already explained in part in answering a question from Mr. Hardie.

For the third part, you emphasized — I do not know what word to use — the cumbersome nature of the regulatory environment or the difficulties that it presents. Could you elaborate on that?

[English]

Mr. Brad Eshleman: When companies are looking to invest, they can invest in various places within the world. Even if you take the grain example, the companies that were in partnership with our world players in the agricultural world can invest in Australia, in Brazil, in Ukraine, or somewhere in the U.S. They chose to invest in Canada because of the growth they saw.

However, if that gets delayed at any point, let's say for a year or a year and a half, with respect to regulatory reviews, that money they have available to invest could get reallocated to other areas of the world and not be available for that investment. That's the concern. The companies make decisions about where they're going to invest their money, but if different opportunities come up because of delays, because delays cost companies money, that money can be reallocated to other areas of the world.

[Translation]

Mr. Robert Aubin: Thank you.

The fourth part of your recipe is one of a more competitive workforce. I would also like to hear from you on that.

Are we talking about a lack of workers, given the labour shortage that we are seeing across Canada? Are we really talking about a lack of worker productivity? What solutions do you foresee to increase competitiveness, if that is the problem?

[English]

Mr. Brad Eshleman: That is another very big subject that also gets into labour and the unionization world. In our environment on the waterfront, we negotiate collective agreements with the longshore workforce, the ILWU. That environment means that we negotiate and agree on work practices on a whole number of things.

In heading down the road with technological change, innovation, and some of the things that are happening around the world, different jurisdictions are able to implement technological change and innovation and change in work practices in probably a more timely manner than our current labour environment can. That causes a lack of competitiveness in our ports, as opposed to other ports around the world.

[Translation]

Mr. Robert Aubin: What I am looking for is the solution. When a collective agreement is signed, a bipartisan agreement, that is binding for both the employer and the employee.

What is the solution? Would you prefer shorter collective agreements that allow for faster or ongoing bargaining?

[English]

Mr. Brad Eshleman: Again, that is another interesting question.

In the collective bargaining process, you have two parties that are working at it, and the two parties need to come to agreement to effectively deal with either labour practice changes or wages and benefits.

Typically what's happened is that the process is a long and lengthy one that comes to the point that the federal government ends up intervening with mediation in trying to bring the parties together, because there's no clear avenue for us to get to an agreement under the current process. It's a situation in which the parties don't have to agree, so to get labour changes and technology changes and practices through a labour environment without an ability to do that is difficult on the employer's side.

Also, if there is a strike or walkout or an unfortunate situation like that, it shuts down Canada's trade, so Canada comes to the table to put everybody back to work with an agreement. There's not an effective mechanism within that type of model.

● (1245)

The Chair: Thank you very much.

We'll go on to Mr. Iacono.

[Translation]

Mr. Angelo Iacono: Thank you, Madam Chair.

This time, I am ready.

I will try to share some of my time with my colleague, Mr. Hardie, who would also like to ask questions.

Briefly, this is my question. It is for the Port Alberni Port Authority.

In the document you sent to the Committee, on page 4, you mention the current logistics, which I find very interesting. I see that 90% of empty containers return to Vancouver after being transported by train to Calgary.

Can you further explain this aspect of logistics? Why are the cars empty?

[English]

Mr. Zoran Knezevic: The way the volumes or the container traffic moves through the port of Vancouver, or at least to my knowledge.... Let's use the example of 10 containers coming in.

The port of Vancouver has a fairly balanced trade, in and out. They move about 3 million TEUs annually. Ten containers come in, and approximately seven of those depart by rail to Toronto, Montreal, the eastern provinces, Calgary, or Edmonton, and three stay locally. The three that stay locally essentially go to the warehouses and distribution centres in the Lower Mainland, get emptied, and then are loaded back.

Out of those seven that go to eastern Canada, four of them come back empty. They are to be loaded back onto the ship, because ships do need to have a balance. Four of them come back empty and three are loaded. Three essentially come back loaded to the terminal. The four of them that come back empty may stop at Ashcroft, which has a good potential, but the volume Ashcroft can produce is fairly small, so the majority come back to the Lower Mainland empty—I'd say three of those. Then they get trucked out from the container terminal into the community to pick up a cargo, because what the shippers want to do is ship cargo from Port Alberni that comes on a flatbed truck to a warehouse in Surrey. They want to put lumber in that container and ship it back to Asia, because they need those containers back in Asia to be loaded with TVs and goods that we need here for North America, in order to keep a balanced trade.

We don't have a trade balance with Asia; essentially we import more, so now we find a cargo convenient to ship back. Nanaimo's CEO mentioned this morning that it costs more to ship from Vancouver Island to the Lower Mainland than from Vancouver to Asia. It is actually cheaper to ship from Vancouver to Asia than from Nanaimo to the Lower Mainland. It's \$900 for a 40-foot container to be shipped from Vancouver Island, and it's \$600 for that same container of lumber for ocean freight going back.

Mr. Angelo Iacono: Thank you.

Mr. Ken Hardie: I'd like to expand on that a little bit, the reason for this rather odd difference. Why is it more expensive to get a container from Nanaimo to Vancouver than from Vancouver to Asia?

Mr. Zoran Knezevic: I guess our friends at the ferry association have a role to play in it as well.

It costs some money for a trucker, it costs some money for the ferry, and it costs some money to be trucked in the Lower Mainland, warehoused, and so on and so forth. Meanwhile, shippers need that container back in Asia in order to load that container with goods for here. Essentially, they'll put anything in it—scrap metal, lumber, whatever we produce. Instead of shipping it empty, they'd rather put any cargo in it.

• (1250)

Mr. Ken Hardie: Marko, do you have any comments on that?

Mr. Marko Dekovic: No. I think there is an opportunity for more backhaul. The only comment I would add is that Zoran mentioned containers that go into eastern Canada also as a gateway port. A lot of that cargo ends up in the United States. A lot of the cargo ends up in the U.S. Midwest as well.

The Chair: Mr. Badawey is next.

Mr. Vance Badawey: Thank you, Madam Chair.

I have to say that I've had the pleasure of working with some of you in the past, especially Zoran, with the port authorities, and stretching out from Halifax all the way down here to the west and everything in between.

My question is going to be relative to that, because I've been harping all day on the need for national collaboration—regionally, of course, but nationally and to some extent even internationally.

With that, I'm going to give you the opportunity, Zoran, to speak about some of the initiatives that the port authorities are

collaborating toward right now, especially related to integrating the logistics and distribution system across Canada and, of course, into the international markets.

Mr. Zoran Knezevic: I mentioned to you earlier—and I'm glad that you actually had a session yesterday and included the port of Hamilton. Our friend Ian Hamilton from the port of Hamilton is in agreement with the idea of having more collaboration on a regional cluster of levels of ports, which I too believe should be the case.

I think we have four fairly identified regions in the country. We have Pacific, we have Great Lakes, we have the St. Lawrence Seaway, and we have Atlantic apart. I believe a greater collaboration between the ports and the stakeholders in the industry should occur and potentially may be sanctioned by the federal government through the port modernization process that it is doing right now.

Mr. Vance Badawey: With that said, we spoke yesterday in Niagara about the—I'll use the word “archaic”—mandate that is being imposed upon some organizations. I know the St. Lawrence Seaway is part of that, as well as some organizations here that may be part of that in terms of mandates that are imposed on them by either the federal government or other entities.

Do you see a lot of that hindering future growth, especially as it relates to not only today, but 30 to 50 years down the road in terms of your corporate strategies? Do you see mandates having to be changed so that both collaboration and the integration of those logistic and distribution sectors are more doable?

Mr. Zoran Knezevic: The way I see it, I think the port of Vancouver and the industry on the west coast, especially the Lower Mainland and Vancouver, have done a really good job in setting up especially the Asia-Pacific gateway, in my opinion. The Asia-Pacific gateway should be a really good example of the result of collaboration in the industry here.

However, I think the landscape has changed and we are moving forward. I think what I like to call the Asia-Pacific gateway 2.0 is needed. It will require some changes to the way we look at things right now, because the landscape has shifted tremendously, especially with the volume of cargo that we are moving, the challenges that we are facing, the ship size that is coming our way, and also the market share that we are slowly, I believe, losing on the west coast, especially in the container business, because everybody is chasing that mighty container, starting from our neighbours in Seattle and Tacoma and the east coast.

Just to mention it, each container brings about \$1,600 to the local economy. I think with each container we lose, we lose a lot. We need to work collaboratively as a whole to make ourselves more marketable to the world.

Mr. Vance Badawey: With that, and looking at the success, quite frankly, that's happening out here in the western end of the country, do you see an opportunity to work with other jurisdictions out to the east in Halifax, Montreal, and even into the U.S. markets, in New York, Albany, Manhattan, Staten Island ports, Allegheny, and the list goes on—Cincinnati, Cleveland, Detroit? Do you see an opportunity to work closer together to enlarge that footprint of transportation success to then therefore add to our ability to move trade around the world?

• (1255)

Mr. Zoran Knezevic: Absolutely. I'll give you an example.

I was talking to my colleague from Thunder Bay. Thunder Bay has a great amount of storage space for grain. I said, "Tim, why aren't you moving more grain through here?" He said, "I don't know, Zoran. People don't want to move grain through the Great Lakes."

I have been hearing, even today, that people want to move grain on the west coast, even when it's destined for Europe. To me it does not make any sense. I think we as a community, as an industry, have an opportunity to maximize our facilities. Instead of building more here, we have perfectly usable facilities in Thunder Bay for grain, and the grain is not going that way. I think we can influence that.

The Chair: Thank you very much.

We'll go on to Mr. Liepert.

Mr. Ron Liepert: I only have three minutes, so I'm going to try to get some comments from anyone who wants to comment, but I want to start with Mr. Eshleman.

We see the environmental extremists lighting their hair on fire relative to the exportation of bitumen or oil out of the west coast. I see Kinder Morgan is one of your members. We had testimony when we were in the St. Lawrence Seaway area that if these extremists were really concerned about what is being shipped today, they would be astounded with the kinds of stuff that goes on boats. That isn't on a double-hull boat, for starters, so if anything every happened, it would be catastrophic, and yet it ships safely.

Could you make some comments on that?

The other thing, if you could make a comment on it, is it's my understanding that even though we as Canada have decided we don't want to burn coal anymore, coal shipments, especially from Alberta, going through your port here in Vancouver are increasing dramatically and going to Asia, where they're burning the same coal that we could be burning here. I would just like a couple of comments on how we could be shooting ourselves in the foot.

Mr. Brad Eshleman: I have a couple of comments.

One is a clarification comment. The Kinder Morgan member that's on our list here is actually Vancouver Wharves. It's not the facility in Burnaby.

Mr. Ron Liepert: It's not Burnaby.

Mr. Brad Eshleman: That's right. It's Kinder Morgan, but it's Vancouver Wharves. The Burnaby facility is not a member of our association—

Mr. Ron Liepert: Fair enough.

Mr. Brad Eshleman: —so it's probably not appropriate for me to comment on that particular item.

With respect to the coal being shipped out of B.C., a lot of coal being shipped—there are different types of coal, obviously—is metallurgical coal, the coal used in the production of steel. Given the manufacturing around the world, that coal is going to be in increasing demand in the world with respect to building infrastructure and producing steel and manufacturing products. You'll see an increase from that product alone.

With respect to the other type of coal that goes into use for energy generation—again, I'm not an expert on coal, but we have had some discussion on this—in Japan, given the earthquakes and the issues with respect to nuclear power, they've spent a lot of money looking at technology, emissions, and different types of technological solutions to deal with the burning of coal. My understanding is that there has been an increase of coal going into Japan also. Their technological side of it has improved the emissions side of burning coal in Japan.

Mr. Ron Liepert: I'd just like to stop you because—

Mr. Brad Eshleman: Yes.

Mr. Ron Liepert: —I know that, Zoran—I can't pronounce your last name—you were nodding your head during my question. Do you have anything to say?

Mr. Zoran Knezevic: In response to the subject of Kinder Morgan and the safety of the ships, I'd like to say that I was part of establishing, with Mr. Stewart from the Canadian Marine Pilots' Association, the process of escorting those tankers out of the Burnaby facility. I believe strongly that we have a really strong and very good process of escorting those tankers and ensuring that they are safely moved out of our waters. I believe that the B.C. Coast Pilots and the port of Vancouver have done a great job. The B.C. Coast Pilots and Pacific Pilotage Authority especially have done a great job in creating a safe process.

I'm not sure if they've done a great job in communicating that to the public. However, the process is in place. I want to use this opportunity to emphasize that.

• (1300)

Mr. Ron Liepert: Do I have any more time? Okay.

I have a question, Madam Chair.

Are there any comments about the trucking industry on this whole issue of what we're carrying, how safe it is, and all that sort of thing?

Mr. Gagan Singh: Are you using it for—

Mr. Ron Liepert: Just about anything. How does it compare to trucking oil, as an example?

Mr. Gagan Singh: No, it's very hard to move oil on trucks, due to the liquid thing with the oil. It's not safe.

Mr. Ron Liepert: Okay. Then it's not an issue that you have to deal with.

Mr. Gagan Singh: It's not a safe thing.

The Chair: Is everybody good?

Mr. Aubin is next.

[*Translation*]

Mr. Robert Aubin: I would like to let Mr. Buy paint a portrait of the ferry industry in one or two minutes. For example, how do you explain the current situation regarding the new ferry *Northern Sea Wolf*? What impact will these significant delays have on your industry?

Mr. Serge Buy: Often, when purchasing a new ferry, operations must be carried out to ensure the safety of the vessel and how it is used. That is what is being done in the case of the *Northern Sea Wolf*, as was done in other regions. From time to time, there are delays in some projects. BC Ferries has other ferries that currently serve the region.

Yes, there are delays. Yes, that certainly has an impact, but every possible effort is being made to minimize that impact.

Mr. Robert Aubin: Will the entire BC Ferries fleet be regularly renewed over the next few years? Is it reaching the end of its life?

Mr. Serge Buy: I would not say that it is reaching the end of its life. In fact, I would not speak from the BC Ferries perspective in particular, but that of ferries in general, across the country. The Société des traversiers du Québec, which is one of our members, is renewing part of its fleet. Marine Atlantic, for its part, also needs renewal. Everyone needs to renew their fleets regularly, given the number of ferries. We have more than 180, some of which are more than 50 years old. Renewing the fleet is therefore a need.

That said, it does not only need to be renewed, but it also needs to be improved, namely making repairs and changes. In particular, the production of 100 submarines that attack whales in the region must be withdrawn. These are needs and operations that must be carried out for our fleet.

Mr. Robert Aubin: That said, we are not dealing with a problem like the one that involved the icebreakers. In that case, there was too much of a delay and it compromised the service.

Mr. Serge Buy: The more time that is taken renewing the fleet, particularly when there is a need to do so, the more problems there are in some aspect.

I will give you some examples. When delays are imposed for the renewal of a fleet, there are vessels that are less effective and that burn more oil instead of natural gas, a fuel that would be better. There are changes that could be made to the security system that are not made. Would I say that it is a crisis? No, but there are clearly problems in that regard.

Mr. Robert Aubin: Thank you.

[English]

The Chair: Thank you very much.

Mr. Hardie, do you have a short, small question?

Mr. Ken Hardie: I do have a short and small question.

Are there inefficiencies in our system because we basically leave the market to drive what we invest and where we invest?

Zoran, you're nodding. Is anybody else nodding or shaking their heads? Obviously what this will lead to.... Is there a need or a role for government to come in with a strategy that deals with inefficiencies?

• (1305)

Mr. Zoran Knezevic: I was nodding because I cannot stress enough how important it is to have a leader coming from the federal government, since Marko, even though I like him, was only going to invest if it made business sense for him. It depends where the

business strategy for the infrastructure fund is going to take them, so it may be here and it may not be.

Especially in a greenfield project such as we are proposing in Port Alberni, it's very risky for somebody to come and invest in that. We need government leadership or a strategy to move industry along the way, because we are expecting the private sector to build our infrastructure and it's not going to happen. Well, it will happen, but it's not going to happen in a timely manner and it's not going to address all the concerns that they have. I think that the government must be a leader in this.

Mr. Serge Buy: I just want to make a very quick note.

You talked about bringing the government in as a leader, and that's good, but bring the whole sector in. You talked about 70% of the goods being transported by trucks, but the trucks go on ferries, which go on.... It's a network; it's not just one piece. You have to bring everybody together in order to find solutions. It's not about just one piece.

The Chair: Okay.

Mr. Vance Badawey: Quite frankly, Serge, that's our intent. That's why we're here. Again, I've been harping on that all day.

Under the minister's initiative, the intent is to establish a trade corridor strategy. It is important for the entire country. Therefore, we do take into consideration the multimodal hub of regions: rail, water, air, and road. From there, what kind of contributions can we make from the operational side, as it relates to the integrational logistics and distribution? Equally as important, to satisfy that, what contributions will the trade corridors fund make to actually become an enabler for you guys to achieve your goals that are contained within your individual strategic plans?

The Chair: Thank you all very much.

Thank you, Mr. Singh, for joining us as well. We do have the open mike session between 5:30 and 6:30, if you'd like to come back and reiterate a point that you think we didn't get or if you have something else to offer. You're very welcome.

We will suspend until 2:15.

- _____ (Pause) _____
-
- (1415)

The Chair: I call the meeting to order.

We have with us the Canada Border Services Agency. Roslyn MacVicar is Regional Director General of the Pacific region.

Welcome. We're pleased to see you.

From the Chamber of Shipping, we have Robert Lewis-Manning, President, and Bonnie Gee, Vice-President.

From British Columbia Coast Pilots Ltd., we have Captain Roy Haakonson, President, and Captain Robin Stewart, Vice-President.

Welcome to all of you. Again, our apologies for keeping you waiting. Thank you very much.

Who would like to start?

Go ahead, Ms. MacVicar, please.

Ms. Roslyn MacVicar (Regional Director General, Pacific Region, Canada Border Services Agency): Thank you.

Good afternoon, Madam Chair and members of the committee. My name is Roslyn MacVicar, and I am the regional director general for the Canada Border Services Agency in the Pacific region. I'd like to thank you for giving me this opportunity to provide an overview of our operations here in the Pacific region.

As you heard from colleagues in Ontario, the CBSA's mission is to ensure the security and prosperity of Canada by managing the access of people and goods to and from Canada. Here within the Pacific region, which is inclusive of British Columbia and the Yukon, approximately 1,900 employees ensure that this mission is achieved in all modes. That includes air, rail, highway, postal, and marine.

In 2017 our staff were responsible for processing 23 million travellers, eight million vehicles, 2.2 million commercial releases, 44 million courier shipments, and almost 37 million pieces of international mail.

Tomorrow you will tour the Metro Vancouver marine operations, an area that encompasses the largest marine port in Canada. It is responsible for the clearance of commercial vessels and goods, cruise ships, and personal vessels. Marine operations will conduct examinations of marine vessels, travellers and crew, inbound and outbound marine containers, and non-containerized commodities. Operations focus primarily on enforcement, analysis, inspection and monitoring of activities in the third-largest port, by tonnage, in the Americas.

More than three million containers pass through the port of Vancouver every year, and more than 142 million metric tons of goods are risk-assessed and controlled by the CBSA in the Vancouver area. Total volumes through the Pacific region account for 57% of marine container freight in Canada.

The Chair: Ms. MacVicar, could you go a little bit slower? I know it's tight at five minutes, but it's hard for the translator to keep up.

Thank you.

Ms. Roslyn MacVicar: Okay.

The second stop on your tour will be at the Pacific Highway District. This district is located in the Lower Mainland of southwest British Columbia across the 49th parallel from the state of Washington, and it's on the direct path between the two major cities of Seattle and Vancouver. The district, which includes five border crossings, stretches from the Pacific Ocean to the central Fraser Valley, and is a key North American portal for travellers and goods entering Canada through the Cascade gateway region. With an average of more than 11 million travellers and over one million commercial releases per year, the district is the primary corridor for western Canada land border trade and travel.

This vital trade corridor alone is estimated to facilitate over \$68 million every day in cross-border trade. In all modes, the CBSA's

risk assessment, targeting, and examination phases play an important role in the overall commercial facilitation and enforcement process.

While the Customs Act authorizes the CBSA to conduct examinations of commercial shipments, our staff consider commerce and trade requirements and the need to comply with regulations while ensuring safety and security of Canadians.

The CBSA's marine and highway commercial examination programs are necessary to support national security and public safety priorities. Examinations control the movement of goods suspected of national security threats, contraband smuggling, other government department controls, commercial compliance, and revenue collection. Nationally, that equated to over \$30 billion in duties and taxes in fiscal year 2017-18, which was approximately 11% of Government of Canada revenue for that same period.

The CBSA is cognizant of the economic impact that examinations may have on importers and exporters. We strive to maintain that delicate balance between ensuring security while all the time facilitating the free flow of goods.

A variety of tools are employed to identify any potential contraband and dangerous goods. That includes X-ray imaging, gamma ray imaging, radiation detection, laboratory services, cameras, scopes, and measuring devices. For example, the use of non-intrusive examination tools such as radiation portals, which 100% of all containers pass through, expedites the examination and release processes of shipments selected for examination.

The CBSA is continually looking at modernizing border management, including the examination process. We've been working very closely with the port of Vancouver and industry to ensure trade chain transparency and supply chain security.

As a result, two new marine container examination facilities are being built closer in proximity to the marine terminals: one in Tsawwassen and one at the Burrard Inlet.

The CBSA's overarching objectives with these investments are to reduce costs, increase examination capacity in Vancouver, and reduce overall processing times for clients.

The new Tsawwassen container examination facility, referred to as TCEF, is double the size of the current outdated facility in Burnaby, with significantly greater capacity for the acceptance and examination of containers. It will conduct examinations of the most high-risk containers arriving mainly from the Deltaport terminal and the Fraser Surrey docks. The TCEF will also house state-of-the-art technology to conduct full off-load examinations of high-risk marine containers.

While you were in the southern Ontario region on Tuesday, you would have heard about the CBSA's secure corridor pilot to expedite commercial processing. Here in the Pacific region we too are modernizing commercial processing by piloting a first for the CBSA, the design and construction of a fixed large-scale imaging system at the Pacific Highway commercial crossing.

● (1420)

The Chair: Would you please do your closing remarks?

Ms. Roslyn MacVicar: Okay.

I'd like to assure everybody—

The Chair: I like to keep everybody to five minutes in order for the members to get their questions in.

Ms. Rosyln MacVicar: Okay.

I'd like to assure the committee that we're very cognizant that our actions have a direct impact on the vitality of Canada's trade and travel industries. At the same time, we will be relentlessly focused on the important role we play ensuring safety and security of Canada and Canadians.

Madam Chair, as a public servant, it's an honour and a privilege to be with you and the members today.

Thank you for your interest in the important work that we do.

The Chair: Thank you very much.

Ms. Gee, would you like to start?

Mr. Robert Lewis-Manning (President, Chamber of Shipping): If it's all right, the pilots were going to go next.

The Chair: That's fine. I'm glad you had a few minutes to figure out who wants to go first.

Go right ahead.

Captain Roy Haakonson (Captain, President, British Columbia Coast Pilots Ltd.): Good afternoon, Madam Chair and honourable members. B.C. Coast Pilots are honoured to be before you today and to have you listen to us.

I'll start with pilotage and its work in the principal gateway for Canada's ever-growing trade with Asia. The number of ships transiting the complex coastline of British Columbia and the busy Fraser River increases every year. Pilots play a vital role in ensuring that Canada's dependence on trade and public expectations are protected through this often congested environment.

B.C. coast pilots and Fraser River pilots use their expert knowledge of local waters to safely conduct bulk carriers, tankers, cruise ships and, for that matter, all commercial vessels. Pilots are responsible for the entire B.C. coast, including Vancouver Island, Haida Gwaii and, of course, the Fraser River.

As Captain Burgess indicated at the hearings you held in Niagara, the near-perfect safety record of Canadian pilots is directly connected to the fact that pilots are able to exercise their professional judgment on navigational matters in an independent way, free from commercial pressure.

Although public and environmental safety is always our paramount consideration, pilotage also plays a very important role in supporting our country's international trade. As the saying goes, 90% of everything has, at one point or another, transited on a vessel in a pilotage area.

The increased volume of traffic and size of vessels is of particular significance on the west coast, where there appears to be a heightened sensitivity to anything that may negatively impact the environment. Increasing public confidence in the transportation system, particularly in the marine transportation system, is critical to maximizing the efficiency of Canada's west coast trade corridors.

There are available solutions. Pilots are always available. We would always look forward to working with the government to address society's concerns.

Pilots play a significant role in advancing Canada's competitiveness, and we have provided you with two case studies focused on the dynamics of facilitating safe and efficient passage of ever-larger and ever-deeper-drafted vessels. Given the dynamics of world shipping and the trend toward ever-larger vessels, the challenge to all ports, and in particular major hub ports, is to adapt to this change. If a port fails to invest in critical infrastructure aimed at both increasing capacity and ensuring smooth intermodal lines, shipping lines will divert their cargo to other ports.

The second case study we brought to your attention brings up a good example of this phenomenon, but in a positive way for B.C. and for Canada as a whole. By developing new navigational procedures in collaboration with our partners from industry, pilots have been able in recent years to safely handle larger container ships at berths that were originally designed to accommodate much smaller vessels. This not only resulted in productivity gains and savings of tens of thousands of dollars per ship for shippers and shipowners, but it also allowed Vancouver port and Prince Rupert port to increase their share of containerized imports moving to the U.S. As the case study demonstrates, the positive economic impact of shifted traffic coming through Canadian ports is very important, in the order of \$150 million a year.

● (1425)

In closing, there is another dimension to the Pacific trade corridor that highlights the flexibility of Canada's pilotage system and the role it plays in maximizing efficiency. Pilotage practices for vessels moving between Canadian and American waters on the west coast are an example of refreshingly pragmatic border crossings.

As you know, the international boundary was established in such a way that travelling to and from a Canadian destination requires transit through American waters, and vice versa for the Americans. For example, 70% of Canada's Pacific shipping travels through Haro-Boundary Pass, which connects the Juan de Fuca Strait and the Salish Sea along the international boundary. Through these waters, inbound vessels from sea to a Canadian port are piloted by B.C. coast pilots, even though the transit through Boundary-Haro is in U.S. waters.

● (1430)

The Chair: Do you have a closing remark?

Capt Roy Haakonson: The relationship that Canada has with the U.S. is one of the important reasons.... The important reason that this was successful, with U.S. pilots in Canadian waters and Canadian pilots in U.S. waters, was that it was made out of a common-sense approach to piloting shared waters.

Through pilotage authorities, administrations and industry, and the two countries working co-operatively together, we've reached an agreement to establish practices that make crossing the border a model of pragmatism.

The Chair: Thank you very much. We will get back to you.

For final comments, we'll go to Mr. Lewis-Manning, for five minutes.

Mr. Robert Lewis-Manning: Madam Chair and members of the committee, thank you for having us today.

Just before I kick this off, perhaps I can give a reminder that tomorrow is World Maritime Day. It's also the 70th anniversary of the International Maritime Organization, of which Canada was a founding member. So there's lots to celebrate and there are some positive things happening.

Our organization represents the interest of shipowners, their agents, and service providers responsible for moving people and commodities globally to and from western Canada. Our members' ability and capacity to move products and people safely, in a timely manner, and competitively is good for Canadians, good for our economy and also good for our environment. Commercial marine carriers compete in a global marketplace. They generally view the Canadian market positively, but they have certain reservations associated with the supply chain's efficiency and productivity, regulatory agility, and data and infrastructure.

The Government of Canada has made the largest-ever one-time investment in coastal protection, and we fully support the programs under the oceans protection plan. Now that this plan is implementing specific programs, this effort should include a greater focus on ways to improve our supply chain's competitiveness, as this will be beneficial to protecting both our marine ecosystems and the Canadian economy. There are already strong indicators that efforts to increase coastal protection will also require the marine sector to innovate in the way it operates and the technologies it employs. For this to be effective, the national transportation strategy must strive to drive innovation that makes our marine transportation framework nimble and adaptable so that it can fully support the coastal protection initiatives and also remain competitive.

As stated in the review of the Canada Transportation Act that was chaired by David Emerson, there needs to be a whole-of-government approach to a national transportation strategy, with an oversight body that requires all affected government departments and agencies to work collaboratively toward common goals. Currently, there is some lack of coordination in policies and priorities and an absence of data-sharing that results in an increase in administrative burdens and inefficiencies.

While the Transportation Modernization Act has initiatives under way to improve supply chain visibility, it is equally important for the government partners to come together in a common strategy to clearly articulate the vision for safety and environmental protection to marine users and stakeholders, as they are intrinsically linked.

Understanding our supply chain holistically is essential to Canada's economic competitiveness. I think you heard that in droves this morning. The continuous growth in volumes of cargo and passengers, together with the limited availability of industrial land for marina operations, requires terminals and berth capacity to be utilized very efficiently. We are witnessing some traditional and also some new constraints to our supply chain that are resulting in negative impacts to the economy and even some of our local coastal communities.

For example, break-bulk cargo is nearly impossible to import into western Canadian ports right now. It's causing delays and increased costs to projects in British Columbia and Alberta, as cargo is diverted through ports in the United States. This should have been within our collective ability to predict, based on the supply chain data relating to efficiency and productivity. Efforts like the Vancouver Fraser Port Authority's supply chain visibility project are positive. We are optimistic that the port's modernization review will also benchmark the performance of our ports and supply chain with competing jurisdictions such that priorities for policy development and future funding are focused appropriately.

There have been successive tranches of infrastructure investment by the public and private sector that have supported an expanding international trading market. We are encouraged by the Government of Canada's intentions to facilitate this in the future through the national transportation corridors fund.

Future funding initiatives should better leverage the expertise of ocean carriers and their awareness of global trading trends. Infrastructure should include marine infrastructure that facilitates safety, environmental protection, and data management and integration. Ocean carriers that operate in the global marketplace know that certain commodities are less competitive in Canada. A focused effort on measuring the throughput of our ports and collaboratively engaging on ways to improve the situation would be positive for many sectors of the Canadian economy and would ultimately support better coastal protection.

Thank you again for the opportunity to speak. We look forward to answering any questions.

• (1435)

The Chair: Thank you all very much.

Mr. Jeneroux, go ahead.

Mr. Matt Jeneroux: Thank you, Madam Chair.

Thank you for being here today, everybody. I have a number of questions that I would like to get in here, if I can.

Mr. Lewis-Manning, I'm wondering if you could comment or provide us with your opinion on the current moratorium on crude oil shipments to and from ports in northern British Columbia.

Mr. Robert Lewis-Manning: I've appeared before this committee before on Bill C-48. We certainly had concerns about the fact that a risk assessment was not included in the draft bill, and one of our recommendations was to include some sort of risk assessment on a periodic basis in that piece of legislation.

Mr. Matt Jeneroux: I noticed that, in May 2017, you issued a press release expressing your disappointment. Have you seen any movement on this since that time that would help?

Mr. Robert Lewis-Manning: We have not. I think the perspective that I can provide you with is the precedent. There may be good reasons for taking action in some way. The important part is making sure that the signals to the international trading market on why it's happening are clear. Without the pure risk assessment, we thought that it wasn't a clear signal.

Mr. Matt Jeneroux: Okay. Outside of the government, have you seen anybody else send signals that this is not helpful, again addressing the competitiveness piece that you make a point of in your press release? I'm hoping there's some movement to address the global competitiveness on this. I haven't seen anything. I'm just curious whether you've seen anything.

Mr. Robert Lewis-Manning: One thing we've seen is a statement from the International Chamber of Shipping, which represents approximately 85% of the global shipowners' market.

Mr. Matt Jeneroux: What did they say?

Mr. Robert Lewis-Manning: They expressed a concern about the approach—not necessarily the outcome, but the approach.

Mr. Matt Jeneroux: Okay, perfect. Thank you for that. It helps clarify some things.

I want to shift to you, Ms. MacVicar. Thank you for appearing before us, and thank you for what you do for the border here in Canada.

I have a couple of quick questions. On marijuana changes, we asked your counterpart in the Niagara region about the impact this would have on your business. He had some comments. I'm curious to hear whether you can put into your own words what changes October 17 will bring, or whether that will happen, on your end.

Ms. Rosyln MacVicar: In short, I would say that our key message is, don't bring it in and don't take it out. That's something we are emphasizing with folks. Despite the fact that cannabis will become legal and regulated in Canada, it's illegal now and it will remain illegal to transport cannabis across Canada's international boundary. This applies to the use of cannabis for medical purposes. It applies to anyone using cannabis who may have it on their person at the time of entry. The requirement is for someone to declare it if they have it, and we're doing what we can to educate and inform Canadians about what it will mean for them when they cross the border.

• (1440)

Mr. Matt Jeneroux: What exactly is CBSA doing to educate?

Ms. Rosyln MacVicar: We're using a combination of things, either through social media or through mainstream media, to inform Canadians about what the changes will mean. In addition to that, we have developed and designed signage that will be very prominently featured at the point of entry so that people will understand what is required of them.

Mr. Matt Jeneroux: Okay. Excellent.

We also had a good opportunity to view the Fort Erie and Buffalo site. They gave us a good overview of how they plan it. I think it was about two weeks out, in terms of preparation for certain sporting events. The football games in Buffalo were what they referred to. Is that a similar...?

Ms. Rosyln MacVicar: It's the same, yes. We do a lot of work in terms of planning and forecasting, based on events that occur on either side of the border.

Mr. Matt Jeneroux: Are you doing anything, then, specific to marijuana and cannabis, in terms of staffing levels or other things, in preparation for October 17?

Ms. Rosyln MacVicar: We're not increasing our staffing levels as a result of that change.

Mr. Matt Jeneroux: Okay, thank you.

The Chair: Thank you very much.

We will now move to Mr. Hardie.

Mr. Ken Hardie: Thank you, Madam Chair.

Thank you, everybody, for being here.

Ms. MacVicar, we hear the term “risk management” quite a bit. Some people will get the sense that you're weighing things, maybe taking shortcuts, maybe trying to prioritize what you pay attention to versus what you think is okay, and using the law of averages to say that you're going to catch what you should catch and let go what you should let go. Is that a fair assessment of risk management, from your view?

Ms. Rosyln MacVicar: What I would say.... I might word it slightly differently to keep it in straightforward terms. We target the goods and the people well in advance, before they arrive at the border, so we can prepare ourselves in some way. We stream low-risk travellers, low-risk goods for outside of the.... We deem them low-risk so we need to spend less time on them. We utilize our people and our systems, the tools that we have, to focus on the high risks that we see. So that's what the risk management process is, in its simplest form. We do all of this—

Mr. Ken Hardie: I need a fairly short answer, unfortunately, because I have other questions.

Ms. Rosyln MacVicar: Okay.

Mr. Ken Hardie: How hard is it to sneak some drugs into a container and get it through?

Ms. Rosyln MacVicar: That's a very good question and difficult for me to respond to. People are very creative. They use a variety of means to beat the system.

Mr. Ken Hardie: Well, it's like whack-a-mole. I'm sure they are always trying.

I have a couple of questions for the pilots. In metro Vancouver, with the expansion that will come, we presume, with the Trans Mountain pipeline, there's a lot of concern about the shipment of oil. I'd like two quick answers, please. First, what has been the record with the oil we have been shipping? Second, what else are we shipping that people might not realize on a day-to-day basis that, should it get loose in the water, would be just as difficult to manage?

Capt Roy Haakonson: I think we haven't had a spill from a tanker in British Columbia. As far as other products are concerned, Mr. Hardie, there is chemical transportation, such as caustic soda or wax for some of the pulp mills that is liquid bulk. I think that, historically, all the tanker business on the B.C. coast, as far as the pilots are concerned, has been done quite safely and quite regularly.

Mr. Ken Hardie: Do you have any sense of how many tankers are heading past the southern tip of Vancouver Island to Cherry Point?

Capt Roy Haakonson: I couldn't say offhand. I know it's greater than what we're currently transiting with. I couldn't put a number on it, sorry.

•(1445)

Mr. Ken Hardie: What contribution do you think pilots can make to the oceans protection plan?

Capt Roy Haakonson: For the pilots, the oceans protection plan is a gift to British Columbia. When the OPP came out.... The principles of the OPP—improving marine safety, promoting responsible shipping, protecting the environment, strengthening our outreach to first nations—are all key values of pilotage. So the part we play with it, in particular with first nations, is that we've always had first nations pilots and we've always reached out through community visits. We push education, especially—

Mr. Ken Hardie: I'm thinking more in terms of eyes and ears on the water.

Capt Roy Haakonson: With the OPP, we've actively participated in a proactive vessel management initiative, the MAIS program with the Coast Guard, working closely with—

Mr. Ken Hardie: I'm sorry. I will have to cut you off there. But it's safe to say that you're making a contribution. You're engaged.

Capt Roy Haakonson: Absolutely. You can expect that.

Mr. Ken Hardie: The Chamber of Shipping is a customer of a whole string of activities. What is your assessment as to how efficient the current system of getting goods on and off your vessels is today, and where do you see a weakness?

Mr. Robert Lewis-Manning: There are lots of pieces to that. You've heard some of it already today. The perspective that we bring is from the efficiency and productivity of unloading and loading. A lot of that has changed over the last five years. One, we're exporting and importing more cargo and people. Two, the ships are getting larger, as you've heard today, which adds more complexity to managing the actual vessel movements and the loading and unloading process.

Overall, the capacity to export—which is the one I will address right away—is growing. But we're also seeing some of the constraints starting to build, and it's getting more difficult to manage it.

Mr. Ken Hardie: Where are the constraints arising?

Mr. Robert Lewis-Manning: We largely see it in the export of bulk products. In an earlier session, you referred to the issue of anchorages. That's a palpable one that we're seeing, and it's actually having impacts on coastal communities. It's a high priority for us to help ourselves and help the government develop solutions for that.

There are lots of pieces to that supply chain. It's a terminal issue. It's a pilotage issue. It's a ship movement issue, how they're managed within the port ecosystem. It's all getting more complex and in need of management.

The Chair: Thank you very much.

We'll move on to Mr. Aubin.

[*Translation*]

Mr. Robert Aubin: Thank you, Madam Chair.

I would like to begin the discussion with the two captains who are with us this afternoon.

Over the last few weeks, I took the time to read the Grégoire report. To better understand that report, I spoke with Captain Arsenault from Trois-Rivières, and with Captain Burgess, who we met with in Niagara just a few days ago.

Although your report on security merits praise and there is no doubt, your detractors draw a connection, which I am not certain is correct, and that is what I would like you to comment on. Some say that pilotage costs in Canada go against economic return and that, if the offer of pilotage services were diversified, we could both maintain the same level of security and maybe reduce costs. Is that true or is it a misconception?

[*English*]

Capt Roy Haakonson: It's always a burning question, and to have an opportunity to speak on it is something that we always endeavour to fulfill.

This question was raised numerous times through the pilotage review process. It was frustrating through some of the discussions. In the review, Mr. Grégoire had 13 Transport Canada studies completed, and one of them, done by the AIM Group and released in February 2018, I believe, was on the economic and competitive considerations. I have a copy of the review. I can leave it with you, sir, if you so desire.

I brought a quote from the review. In 2016, when the study was completed, the magnitude of pilotage costs amounted to approximately one tenth of 1% of the value of Canada's maritime trade. Therefore, in the context of the national economy, pilotage costs do not negatively affect Canada's trade competitiveness for importers and exporters.

More specifically, the study also analyzed the question of cost in various other aspects, including the impact of cost on container ships, tankers and bulkers from the point of view of safety, reliability and responsiveness. In every case, it reached the same conclusion: that pilotage costs are not a factor that negatively affects competitiveness. What is of interest to us is that—

•(1450)

Mr. Robert Aubin: Please finish quickly, because I have a lot of other questions.

Capt Roy Haakonson: Oh, I'm sorry.

None of the findings were reflected in Mr. Grégoire's report, and to this day we don't understand why.

I'll leave it there, sir.

[Translation]

Mr. Robert Aubin: Thank you, Obviously, I would be interested in reading that study.

I have another question. To your knowledge, is there a sole pilotage provider model in the world that opened its market to competition and that then returned to a sole provider model? If so, what were the benefits?

[English]

Captain Robin Stewart (Captain, Vice-President, British Columbia Coast Pilots Ltd.): Thank you. It's a good question. It's one that is broached with us on a regular basis, quite frankly.

Yes, there have been other jurisdictions globally that have tried it—not within Canada, but some areas like Australia or some parts of Europe. Florida was moving in that direction. They've all moved back. There are one or two areas in western Europe.... I believe Norway has some small pockets where they do have competitive pilotage.

Consistently, though, it's proven that the competitive nature of that process would be similar to instituting a competitive process in the aviation industry, for example, where you have air traffic controllers providing a competing service, or in police departments or fire departments. It has not worked. The result has consistently proven a degradation of safety. Really, it's about establishing the priority. In a country like Canada, where public safety or environmental safety is accepted by the public as a priority, the risk of a degradation of safety is not worth the change.

In that context, though, we do have two pilotage areas on the west coast, both under the federal mandate of the Pilotage Act. One is with the entrepreneur pilots, ourselves, and we cover the entire outside coast. Then there's the employee model, with the Fraser River pilots, obviously within the Fraser River.

We have no problem in sharing a district, from our perspective, as long as we share it in isolation. In the Fraser River, they focus their expertise on the Fraser River; we do ours on the coast. The risk, as we see it, would be providing a process where someone can float in between. If you had a group that was able to provide pilotage on the coast or in the Fraser River, you would have potential for conflict.

We can talk about Kinder Morgan, for example, and the movement of oil. If you have a situation where you have agreed on principle to apply safety mitigations and you allow a negotiation with that process—which is what competition will always lead to—you run the risk of compromising that safety mitigation.

It has been tried. Consistently, it hasn't worked, especially in countries like Canada and the United States.

The Chair: Thank you, Mr. Stewart.

We'll move on to Monsieur Iacono.

[Translation]

Mr. Angelo Iacono: Thank you, Madam Chair.

My first question is for Ms. MacVicar from the Canada Border Services Agency.

How does the Agency ensure a balance between the application of border security measures and a smoother circulation of goods between Canada and the Pacific Region?

[English]

Ms. Rosyln MacVicar: Thank you for that question. I know it's a really good one because we get it often.

What I would suggest is that we do a really good job in terms of assessing the risks, either known or unknown, that we would be facing at any given time. We rely upon a number of factors that influence our definitions and our determinations of risk, and those relate to the systems we use, whether it be one of our own business rules and applications or whether it be through our national targeting sector, which enables us, as a result of early receipt of information, to determine what may or may not be coming our way.

In addition to that, we work with our law enforcement partners, nationally, federally or locally, in addition to the intelligence professionals who work with us at the CBSA. In that instance, it allows us to notify our front-line operation if there are risks or threats coming our way, and we can plan accordingly.

At the same time, our front-line operations have the opportunity to randomly select and make referrals for more detailed reviews as part of our secondary operations. For the most part, however, we reserve those for the most high-risk situations, so that we cannot and do not impede the free flow of low-risk traffic and goods into the country.

• (1455)

[Translation]

Mr. Angelo Iacono: Thank you.

In your opinion, what aspect of the modernization of ports must the federal government address first to help the Agency monitor border crossings? What is the most important element?

[English]

Ms. Rosyln MacVicar: I would suggest that we focus efforts in two distinct areas. One is in the area of infrastructure, to ensure that we are modernizing and enhancing our current infrastructure across the country as it relates to how our business has evolved. That would be the first area, and that includes investments in port operations, the facilities themselves.

More importantly, I would suggest that we need to make real investments in the technology. As you'll note, the transformation we're undertaking as an agency is predicated on new forms of technology, and this all comes at a cost. As we evolve and modernize as an organization, we rely more heavily on technology. I believe that this creates opportunities for both the federal government and industry to align those systems and create a more seamless flow.

[Translation]

Mr. Angelo Iacono: My next question is for the Chamber of Shipping representatives.

The Government of Canada implemented the national Oceans Protection Plan to create a marine safety system that will improve responsible marine transportation. What is your position on that plan? How does that plan help you support marine transportation?

Mr. Robert Lewis-Manning: Thank you for your question.

[English]

I will have to respond in English. My apologies.

From an industrial perspective, the oceans protection plan is facilitating a better understanding of the ecosystem we're operating in, the effect industry has on that ecosystem, and how best to mitigate that. We know that's important to Canadians. We know it's important to indigenous communities, and we're sailing in those areas all the time.

That's a very complex and big agenda. I mentioned earlier that it's important to bring the competitiveness and efficiency formula into the oceans protection plan, because they are intrinsically related. The ports modernization review is probably the avenue in which to do that well, in a timely manner.

The Chair: Thank you.

We'll move on to Mr. Badawey.

Mr. Vance Badawey: Thank you, Madam Chair.

My first question is for the chamber.

When we look at multimodal road repair, water and rail, are you currently having discussions in an integrated fashion to look at future strategies collectively, or are you simply basing your strategies individually?

• (1500)

Mr. Robert Lewis-Manning: I'm sorry if I sound a bit hypocritical here—yes and no.

On the positive side, there's more involvement across different transportation modes than there has been. When we're talking about infrastructure investments and prioritizing recommendations to the federal government, we're not quite there yet. Largely, ocean carriers have been excluded from that dialogue. We're working closely with our transportation partners to change that, but we're not there yet.

Mr. Vance Badawey: To that same point, mandates are sometimes dated and therefore impede the perception of whoever is responsible for them to invest in infrastructure that would be more conducive to today's strategies. Of course, the collective discussions and strategies ultimately lend themselves to the development of a national trade corridor, which is why we're here.

Do you find that, to align with today's business strategies collective, some mandates may have to change?

Mr. Robert Lewis-Manning: There is probably an opportunity for change, likely within the Marine Act.

However, I don't want to be overly prescriptive at this point. More evidence needs to be brought to the table for this.

Mr. Vance Badawey: That's a good point. I'd like you to delve a bit deeper into that, because we heard that in Niagara, too, with the St. Lawrence Seaway and the mandates that are governed by the Marine Act. Could you delve a bit deeper into that in terms of what has to change?

Mr. Robert Lewis-Manning: This isn't a criticism of port authorities, but the reality is that the trading corridor in this region goes from 200 miles out in the Pacific Ocean to dockside, and the moment the jurisdictional boundaries are defined on a map—or a

chart, if you're a pilot—we're not looking at that trade corridor on the marine side holistically.

There needs to be a discussion about how best to do that, especially in a complex environment like the Salish Sea. We're getting competing demands. Obviously, everybody knows there are species at risk. All of these factors have to be managed holistically, and at the moment the Marine Act doesn't facilitate that.

Mr. Vance Badawey: What do you think the next step should be?

Mr. Robert Lewis-Manning: It's likely looking at governance and how the various pieces of legislation and the authorities they devolve to integrate. That's probably our biggest challenge in the marine sector in the future: how to operate in that more complex ecosystem, with higher traffic volumes, larger ships and hopefully more trade.

Mr. Vance Badawey: Governance may therefore have to be changed in its own right, with respect to who is doing what and who is in charge of what.

Mr. Robert Lewis-Manning: I don't want to be prescriptive, but it's an area that deserves some attention, yes.

Mr. Vance Badawey: Now let's dive a bit deeper into that.

With respect to your experiences in the shipping industry in this area, what's the how to the what?

Mr. Robert Lewis-Manning: I think we have to take a hard look at how the different authorities integrate. Whether it's the Department of Fisheries and Oceans, the Coast Guard, Transport Canada, Environment and Climate Change Canada or the port authorities, all of them have jurisdictional leadership somewhere, from where that ship travels 200 miles out to the dockside.

I think we're probably looking at the potential of having some overarching agency, not to build more bureaucracy into the system but to maybe alleviate some of that bureaucracy, because it is getting very complex. Imagine a ship that calls on the port of Vancouver once a year or once in five years. Operating in that environment—obeying all the laws and moving people and commodities efficiently—is going to get much more complex. The gentleman to my left manages some of that complexity in a certain area, but there are a lot of moving pieces to that, and I think we need to do a better job of it, for the sake of both the Canadian economy and the ecosystem.

Mr. Vance Badawey: You—

The Chair: Thank you very much. I'm sorry, Mr. Badawey.

Mr. Liepert, you have four minutes.

Mr. Ron Liepert: Mr. Lewis-Manning, we get a lot of presentations, and I must admit that I don't personally really pay attention to every word in every presentation, but I'm an Alberta MP and you said something that caught my attention. It was something to do with bulk cargo that was impacting Alberta. Can you either repeat or expand on what you were talking about?

• (1505)

Mr. Robert Lewis-Manning: Yes, certainly. To be quick, there's break-bulk cargo, which often supports the construction industry, for example, and that cannot be imported into B.C. ports right now because of the amount of congestion.

Mr. Ron Liepert: Give me an example. For construction, what is it? Is it drywall?

Mr. Robert Lewis-Manning: It's rebar.

I'll give you a simple example. With regard to rebar expecting to get into the port of Vancouver, the terminals are very busy, and those are commercial relationships, so there's no real lever that says this cargo is more important than another cargo. At the end of the day, the ship anchors for 20 days in local waters and that creates a secondary problem, and then that cargo needs to be diverted to Tacoma and trucked to Canada.

None of that makes much sense, nor is it helping people on the ground.

Mr. Ron Liepert: No, for sure. It's adding costs at the other end, I would imagine, in terms of delays. Again, is that just inefficiency, or is the port just too damn busy?

Mr. Robert Lewis-Manning: Well, I guess we're a success of our own making as a gateway. There's not a lot of marine infrastructure. Those are commercial relationships that terminals have with the Vancouver Fraser Port Authority.

Mr. Ron Liepert: What about a port like Prince Rupert? The trucking from Prince Rupert to Edmonton is no further than trucking from Vancouver to Edmonton. Is Prince Rupert underutilized?

Mr. Robert Lewis-Manning: Absolutely. The port of Prince Rupert has room to grow and, I think, a strategy to grow. Sometimes the commercial decisions don't reflect potentially what the policy decision should be. Again, that's why I think that, overall, there probably need to be some levers that we haven't identified yet and that would help the cargo flow properly—or better than it does today.

Mr. Ron Liepert: Am I done?

The Chair: We're getting behind, so if you could...

Mr. Ron Liepert: That's good. Thank you.

The Chair: We have our next panel here.

Thanks very much, all of you. Again, my apologies for starting a few minutes late and keeping you waiting.

We'll suspend for the next panel to come up, please.

• _____ (Pause) _____

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• (1510)

The Chair: Welcome, gentlemen.

From the Forest Products Association of Canada, we have Joel Neuheimer, Vice-President of International Trade and Transportation. From Pulse Canada, we have Greg Northey, Director of Industry Relations. From Teck Resources Limited, we have Michael O'Shaughnessy, Director of Logistics.

Thank you all very much for being here to join us this afternoon.

Mr. O'Shaughnessy, should we start with you?

• (1515)

Mr. Michael O'Shaughnessy (Director, Logistics, Teck Resources Limited): I'm new to this, so I guess I'll go first.

The Chair: We don't bite. We're a friendly group of people.

Mr. Michael O'Shaughnessy: No problem. I'm looking forward to the discussion.

The Chair: When I put my hand up like that, I'm going to cut you off.

Mr. Michael O'Shaughnessy: I just won't look at you, then.

Madam Chair, members of the committee and fellow witnesses, good afternoon, and thank you for inviting Teck to participate.

My name is Mike O'Shaughnessy, and I'm the director of logistics for Teck Resources, headquartered in Vancouver. Teck is here to address concerns over Canadian competitiveness in reaching export markets.

Teck is a Canadian diversified resource company that exports steelmaking coal, copper, zinc and energy. We employ nearly 8,000 people across the country. We are Canada's single-largest rail user, spending over \$600 million annually. We're Canadian Pacific Railway's biggest customer, and a leading exporter to key markets, particularly Asia.

Over the last five years, Teck has exported over \$20 billion in products from our Canadian operations to China, Japan, South Korea, India and other Pacific markets. With improved transportation and logistics infrastructure, Teck's export potential also improves, and that supports jobs for Canadians and generates economic activity where we operate.

I would now like to highlight additional steps to improve Canada's rail freight competitiveness and ensure the competitiveness of Pacific coast ports.

Our primary rail recommendation relates to shipper remedies and the need for a sufficient rail data regime that would empower the Canadian Transportation Agency to effectively deliver costing determinations under final offer arbitration. With the recent changes to the Canada Transportation Act, we understand that the agency's mandate requires it to request information in order to conduct costing determinations.

We recommend that the agency clearly confirm that it does in fact receive non-aggregated costing information, and that it does so without being impaired by any public body within the Government of Canada, the railways, or any other person.

Also, we have ongoing transparency concerns that the amended Canada Transportation Act does not compel the agency to disclose details around its costing model or information regarding its processes or methodology for regulatory costing. Simply put, there is no transparency on how the agency determines costs. This contrasts sharply with the regulatory system in the United States.

The U.S. Surface Transportation Board publishes details online respecting the uniform rail costing system, its system for determining railroad costs. We recommend that the government consider adopting a similar data transparency mechanism so that the Canadian Transportation Agency is required to make its costing model processes and methodologies publicly available.

Last, on rail issues, we remain concerned about whether railways are fulfilling their service obligations by taking into account the railway company and the shippers' operational requirements and restrictions. The language that became law under Bill C-49 does not reflect the reality that in connection with the service that a railway may offer, it is the railway that decides the resources it will provide. Those decisions include the purchasing of assets, the hiring of labour and the building of infrastructure. Any of those decisions could result in one or more restrictions. As those restrictions are determined unilaterally by the railway, it is not appropriate that they be used as a goalpost in an agency determination. As such, we recommend making the restrictions themselves subject to review.

The second area I will highlight relates to Canada's support for infrastructure competitiveness. Similar to rail monopolies in Canada, I have serious concerns about the non-competitive business environment of Canadian ports. On Canada's Pacific coast, there are only two publicly accessible major export points for steelmaking coal: Westshore Terminals, located here, and the federally owned Ridley Terminals, in Prince Rupert.

With the potential divestiture of Ridley Terminals, we are concerned about the possibility that both Pacific coast terminals would be owned or operated by a single entity. If both Pacific coast terminals were to fall into the same hands, our cost competitiveness, service levels and reputation would erode even further. We recommend a sale process that is fair, competitive and transparent, and that results in reasonable rates, service levels and open access.

I would like to thank the committee once again for the opportunity to appear before you today and for undertaking this important study. Given the limited time for my remarks, I invite you to read Teck's written brief, which outlines our position in much greater detail.

Thank you. I look forward to the questions.

The Chair: Thank you very much.

Mr. Northey, go ahead.

Mr. Greg Northey (Director, Industry Relations, Pulse Canada): Thank you very much, committee, for the opportunity to speak to you today.

Pulse Canada is the national industry association that represents over 35,000 growers and 132 processors and exporters of peas, lentils, beans and chickpeas. Canada is the world's largest producer and exporter of peas and lentils, accounting for over one third of global pulse trade. Approximately 80% of Canadian pulse produc-

tion is exported to over 100 markets, and the value of the industry's exports exceeded \$3.5 billion in 2017.

The Canadian pulse industry has set ambitious growth targets that focus on the incremental use of 25% of production, so about two million tonnes, in new markets or for new uses by 2025. Referred to as "25 by 2025", this target will seek to capture the significant volume opportunities for pulses that exist in the food industries around the world, particularly North America, western Europe and China. Capturing these markets will be essential if we are to retain our standing as a world-leading producer. The significant economic, employment and processing innovation benefits that the industry brings also rely on capturing these markets.

Improving supply chain efficiency and performance is a key pillar of the sector's long-term strategy, as effective transportation is a significant determinant of export competitiveness in global markets. As noted in the 2015 CTA review report, "In a world of massive and complex webs of interconnectedness, the quality of transportation and logistics systems may be the single greatest contributor to a country's economic performance."

The pulse and special crops sector is particularly sensitive to this sentiment, as we are the most multimodal grain crop in western Canada, with product moving in box cars, hopper cars, intermodal vans and marine containers. In fact, 40% of our exports through Vancouver are containerized. When supply chains fail and logistics, reliability and predictability disappear, as we saw this past winter and in 2013-14, transportation costs increase, suboptimal economic decisions become the norm, and stable, long-term growth opportunities with international customers become difficult.

According to the World Bank, Canada ranks 20th on the 2018 global logistics performance index, a tool that was created to help countries identify the challenges and opportunities they face in the performance on trade logistics. Canada has dropped eight spots since 2014. On key indicators such as quality of infrastructure, timeliness of shipments, and the ability to track and trace consignments, Canada falls out of the top 20 countries. There is clearly room for improvement for Canada, which demonstrates that this committee's study on the Canadian transportation and logistics strategy is both timely and essential. Improving transportation and logistics is a tremendous opportunity to improve competitiveness for our sector and the Canadian economy as a whole. If effective, the strategy can set Canada down the path to become a world leader in logistics performance and infrastructure excellence, and our goal should be to become a top performer on the World Bank logistics performance index.

As you've heard from several witnesses today, a data-driven approach for any strategy will be essential. For our sector, the logistics system required to get pulse from the field to international markets, to customers and the store shelves, has a wide array of challenges, not the least of which is how to ensure complete visibility in the performance of these complex supply chains. Within months, the regulatory process required by Bill C-49 will begin to identify the service and performance metrics to be collected on the freight rail supply chain.

By establishing the right outcomes for this study, the committee can help guide Transport Canada and all stakeholders to ensure that these new regulations place Canada at the forefront of digital data management and real-time supply chain visibility that supports the competitiveness of Canadian exporters. We have to move beyond reviews of the Canada Transportation Act every eight to 10 years and legislative interventions when the system is in crisis. To do that, we need a data-driven supply chain that improves logistics and guides infrastructure spending continuously. This is by far the best way to do this, as it supports both commercial interaction between supply chain players and legislative efforts from government.

I'll leave it there. Thanks.

• (1520)

The Chair: Thank you very much.

Mr. Neuheimer, please. You have five minutes.

Mr. Joel Neuheimer (Vice-President, International Trade and Transportation, Forest Products Association of Canada): Good afternoon, Madam Chair and members of the committee. Thanks very much for having me here on behalf of the members of the Forest Products Association of Canada, or FPAC.

FPAC is the voice of Canadian wood, pulp and paper producers nationally and internationally. The forest products industry generates \$69 billion annually and contributes \$21 billion to Canada's GDP. The industry is one of Canada's largest employers, operating in over 600 forest-dependent communities from coast to coast, and directly employing 230,000 Canadians across the country.

In 2017, our industry exported over \$35 billion worth of goods to 180 countries. We heavily rely on Canada's supply chain to get our goods to market. We are the second-largest user of the rail system,

transporting over 31 million tonnes by rail in 2017. We transport over 74.2 million tonnes by truck each year, which makes us one of the largest users of this system. Through ports, we ship approximately 31.2 million tonnes overseas.

The forest products industry is facing several challenges right now. Most importantly, the lack of reliable infrastructure to support our transportation system is estimated to cost our industry over \$500 million a year.

Minister Garneau's 2030 transportation strategic plan is a step in the right direction, to help ensure that Canada has a long-term vision of what our transportation and infrastructure systems must look like. However, 2030 is fast approaching, and while some of the investments may well help in the future, forest products are still feeling the effects of the 2017-18 freight rail crisis, and we fear the same will happen this year. Months after the crisis, fulfillment levels are still low in our sector. With winter fast approaching, our members are concerned that they will have to shut down mills.

I would like to acknowledge the work that the Canadian railways have done in recent months to add more capacity to the system. Unfortunately, there is still great concern across Canada in our business that it will not be enough.

We need to revitalize the Pacific gateway initiative, and FPAC looks forward to seeing the benefits of the investments made through the trade corridors fund. FPAC also looks forward to the quick implementation of the comprehensive and progressive trans-Pacific partnership.

Canada needs to avoid taking sector-specific approaches to transportation usage. We know that Minister Garneau recently met with representatives of the grain and agriculture sector, and FPAC believes these types of meetings should be held with all sectors together.

With the implementation of Bill C-49, Canada has an opportunity to strengthen its legislation and regulations to make rail rates and service more competitive for railway customers.

FPAC hopes that with the new own-motion power granted to the Canadian Transportation Agency, or CTA, through Bill C-49, more investigations into rail issues will be done, with the support of Minister Garneau.

Rail, however, is not the only mode that currently has negative effects on the Canadian transportation system. For the past couple of years, Canada has faced and continues to face a severe truck driver shortage, which has caused the cost of this mode to rise dramatically. With the rail issue already prominent, the need for trucks is higher than ever, yet most times our members cannot get the service they need.

Federal and provincial governments need to do more to ease the truck driver shortage, for example via immigration and training. To help ease the truck driver shortage crisis in Canada and the U.S., FPAC recommends harmonizing weights and dimensions across Canada and eliminating cabotage rules.

In the final point of the supply chain, current congestion and bottlenecks at ports are increasing delivery times and costs for the forest products industry, specifically at places such as the port of Vancouver. Our second-largest market is China; therefore, the industry heavily relies on this port to get our product to Asia. Enhanced performance metrics, expanding B.C. ports and other opportunities along the B.C. coast, including the implementation of short-sea shipping where needed, will help with these challenges.

On dangerous goods, we need to maintain a risk-based approach.

FPAC also believes it is important for the federal government to provide a mandate for safety-sensitive workplaces, such as the transportation sector and ours, to be able to test employees in relation to the legalization of cannabis.

Finally, labour stoppages are an issue over which our members have to be extremely vigilant in order to prepare for delays and added costs. FPAC asks the government to include railways and ports as an essential service, ensuring that service will continue even during a strike.

• (1525)

In conclusion, we need to do more and have a better-defined vision of the infrastructure we need going forward, now and for the future.

Recently, the Minister of Innovation, Science and Economic Development Innovation, Navdeep Bains, announced a report called “Resources of the Future”. Within this report, it is recommended that Canada have a 50-year Canadian strategic infrastructure plan.

The Chair: Mr. Neuheimer, I'm sorry, but I have to cut you off. Can you get the very end of your presentation in while you're answering some of the members' questions?

Mr. Joel Neuheimer: Yes, with pleasure.

The Chair: Thank you very much. You have my apologies.

Go ahead, Mr. Liepert.

• (1530)

Mr. Ron Liepert: Thanks, guys, for being here.

Matt and I represent Alberta ridings, and one way to stay elected in Alberta is to beat up on the railways, so we took our opportunity earlier today to beat up on the railways. In all fairness, I had a discussion with them afterwards.

It sounds to me as though in your presentation, Michael, you're talking about cost and transparency with the railways versus what we continually hear on the prairies, which I would say is efficiency in getting cars and that sort of thing. Is it that there's no transparency around cost, or is it that the service from the railways doesn't meet the needs of the growers, as all three of you have outlined?

Mr. Michael O'Shaughnessy: Thanks for the question, Ron.

To respond to your first question around costs, the way we look at our business is that we compete globally. There's no purpose in talking about capacity if you can't compete with your peers. We compete against Australia and against the U.S. into Asia, and there are a couple of smaller players, but it's a very—

Mr. Ron Liepert: Is it that our transportation costs are higher?

Mr. Michael O'Shaughnessy: Teck's logistics costs are double that of our Australian peers, for two reasons. One is monopolies, or a captive shipper. The second one would be that we're 1,000 kilometres from tidewater. In fairness to the railway companies, that adds a bit of a challenge.

The reason we focus on transparency is that we want to ensure that across the supply chain—we view ourselves as a Canadian champion—we're all working together to get our products to market sustainably. A lot of our Canadian competitors went bankrupt.

A third of our spend on steelmaking coal is in logistics. Steelmaking coal is used for steel. It's the only way you can make steel.

Mr. Ron Liepert: I'd like to get comments from both of you as well, and then, to conclude, touch base on Prince Rupert.

I think Prince Rupert is such an underutilized facility. Somehow, it should be able to absorb a lot of that bottleneck. If we're shipping forest products from northern Alberta to the west coast, it isn't any further to go to Prince Rupert than it is to go to Vancouver.

I'd like both of you two gentlemen to make some comments about rail costs versus efficiency, and then about Prince Rupert.

Mr. Joel Neuheimer: Thanks so much for the question.

For us, costs and service are both concerns. We actually asked for the same thing that Michael outlined in his presentation to be in Bill C-49, but the amendments we were asking for did not come through.

I'll let you know that right now, in our operations across Canada, northern Alberta is one of the biggest pain points. They're having a lot of trouble moving stuff by rail from places like Edmonton to Winnipeg. It's been that way for a number of months now, and we're not even into the serious winter conditions yet. What's going to happen in January and February? That makes us extremely anxious about how bad it might be again this winter.

Prince Rupert is definitely an option. We have members who ship through Prince Rupert already. Of course, CN is the only one that's there. It would help us if both railways were using the port.

I think it is a bit of a game of who is going to move first. Are terminals going to build up there to bring in more traffic, or are the railways going to invest there first? We need somebody to show some leadership there and make a move so that we can—

Mr. Ron Liepert: Okay. I'd like Greg's comments from the agriculture sector.

Mr. Greg Northey: Agriculture is a bit unique, because we have what's called the maximum revenue entitlement, the MRE. Essentially, it's an entitlement for the railways on the revenue they can make for moving grain. It guarantees them a 20% rate of return or whatever on grain, but prevents them from charging monopoly prices, because they have the entitlements.

Cost is still an issue, at least for our members. Containerized movement has been pulled from the maximum revenue entitlement. That's one of the changes made in Bill C-49. We have seen some increases in rates for moving containerized grain as a result, because it's not protected under the maximum revenue entitlement.

Service in general for agriculture will be the number one issue, as opposed to rates. In the event the MRE disappears, we—

• (1535)

Mr. Ron Liepert: What about Prince Rupert?

Mr. Greg Northey: We just had a transloading facility, Ray-Mont, go into Prince Rupert in the past year, so we are seeing some investments there for that kind of movement. Essentially, they're able to take hopper cars and stuff them into containers and ship them.

Mr. Ron Liepert: Is that grain terminal still in operation?

Mr. Greg Northey: There is a grain terminal—

Mr. Ron Liepert: The one that Loughheed built through—

Mr. Greg Northey: Yes, there's a big one there, but generally the push has moved through Vancouver, because that's where a lot of the companies... It's jointly owned by several different grain companies, so they've been investing a lot in their facilities in Vancouver. Prince Rupert is still a destination, but it's not a big push.

Mr. Ron Liepert: Thank you, Chair.

The Chair: Mr. Hardie is next.

Mr. Ken Hardie: We've heard some of these stories before in some of our earlier studies. To Ron's point, sometimes you almost make me feel bad for the railroads, because, gentlemen, what I hear from you consistently is that you want government action to force them to tell what their profit margins are, what they should be charging you, and all the rest, so you want to suppress their price as much as you can, but at the same time you also want government to put pressure on them to give you more capacity. It's nice if you can get it both ways, to be honest with you.

You can respond to that. I'll give you a chance to do that.

However, is there a forum that exists today for you to sit down with all of the players in the supply chain and work through the kinds of issues that you brought up today. Is there a forum? Do you actually have an opportunity to sit down with the railroads or the terminals or whomever and say, "Look, this is our situation here. What can we do collaboratively to make this work better?"

Mr. Greg Northey: I can start.

On your last point, one of the items that came out of the process of Bill C-49 was that Transport Canada started a collaborative forward planning exercise. They worked through on the quantity supply chain table. They are trying to wrestle to the ground some of these points as a larger group, so that includes the railways and the shippers.

Mr. Ken Hardie: They're facilitating it.

Mr. Greg Northey: Right, they're facilitating, which is one of the abilities of government, to facilitate. I'm not sure how that's going to go, but generally these issues have been discussed for years and years. A lot of them have to be dealt with commercially, individually between shippers and railways, so there's only so much movement you can get from talking about these larger issues within a forum like that.

Mr. Ken Hardie: Maybe we'll give the others a chance, because my time is short, as always.

Mr. Joel Neuheimer: I'll focus on the service. Let's say that for the last three or four months, the fulfillment rates have been basically 60% of all the cars that are ordered and show up. What about that 40%? That's revenue that's not being generated for those communities that work in those mills.

Mr. Ken Hardie: What do you say to the pressures that they face from common carrier obligations? They have to try to carry everything that comes at them.

Mr. Joel Neuheimer: Unfortunately, that doesn't work effectively enough in the real world, and I think the biggest threat is to investment in Canada. We have a lot of CEOs at our boardroom table now who have operations on both sides of the border, and oftentimes—too often now—when they're investing their money, they invest in the United States and not in Canada. This was one of the reasons.

For me, that is of great concern.

Mr. Michael O'Shaughnessy: On our side, there are forums where we can have conversations. The port of Vancouver and other groups facilitate that.

Also, because we're such a material partner for CP Rail and Westshore, we try to have coordinated meetings. CP Rail service, unlike CN this year, has met its commitments, and it services our mines in the Elk Valley.

The challenge we have is that CP and Teck have run into issues getting our product through terminals in the Lower Mainland. As a result, we've had to shut mines and have lost opportunities and railed 1,000 kilometres further to Ridley Terminals, so access to market has been suffering.

Mr. Ken Hardie: I understand that the actual shipping costs in Canada are pretty low compared with other countries, but it's the distance. It's the fact that this is a big country and it's a long way to get to the ocean.

Mr. Michael O'Shaughnessy: That's fair enough. That's one component, but if you look at CP's profit earnings releases, you'll see it makes a pretty high margin on that. Distance is one factor, but you get efficiency when you're going over such a large distance.

●(1540)

Mr. Greg Northey: Just on the rate piece, it's not necessarily that.... I understand your point that we want better service and can also complain about cost, but just to Michael's point, these are monopolies and they have the ability to price accordingly.

I guess the question really is how much of a rate of return they need and if they are getting enough, really. There have been a lot of complaints that the maximum revenue entitlement is reducing their ability to invest, but they make a tremendous rate of return on grain. They have a privileged position as a company from being a monopoly, while others don't have that privileged position.

The Chair: Thank you very much.

Go ahead, Mr. Aubin.

[Translation]

Mr. Robert Aubin: Thank you, Madam Chair.

I thank each of you for being with us today. In the absence of Ms. Kelly Block, I believe I am the most senior member of the Committee, as I was on it in the previous government. I have met with you a few times already. However, I have the impression that today is the day..

[English]

The Chair: Mr. Aubin, one second. We were not receiving the English translation.

We will start over again.

[Translation]

Mr. Robert Aubin: Okay. I was saying that, with the absence of Ms. Kelly Block, I am probably the most senior member of this Committee, as I was on it under the previous government. In listening to you today, I have the impression that it is like *Groundhog Day*. It is as though nothing has really happened. This morning, we heard representatives from the main railway companies, who explained their investments. I admit that I forgot to ask them what percentage of their revenues they dedicate to those investments.

I have a brief question for each of you. Am I to understand that, in your daily activities, you do not see any change in the investments and services that you receive?

[English]

Mr. Joel Neuheimer: I can go first.

In the case of CP, the service has been better than it was. CN is continuing to struggle. I'm sure they talked about all the numbers that we saw very nicely advertised in *The Hill Times* this morning when they were here.

As I said in my remarks, I acknowledge that. I respect those investments they've made, but will it be enough? Will it be enough to move everything we have to offer so we can fully take advantage of the products we're producing?

One of the things that we're trying to get into is incorporating more wood products into new forest products, such as engineered wood products, and getting wood products into the bioeconomy to make new products. If we can't get the products we already make to market, how are we going to get these new products to market?

We're still struggling. I like your *Groundhog Day* analogy. It's very apropos.

[Translation]

Mr. Robert Aubin: Thank you.

[English]

Mr. Greg Northey: So far in the grain year, service has been quite good from the railways, as you'd expect, because it's very good railroading weather. The crop has been a bit slow to come off. We've had some issues with weather and some stalls in harvest.

The railways are now meant to publish plans on how they plan to move the crop each year. It came out in Bill C-49. Their plans indicate that there is no increase in capacity. They haven't planned for an increase in capacity. When it's really going to matter for us is when we start to get into winter and start to see how they're able to respond and the kind of flexibility they have to be responsive to shippers' needs.

The investments may work, and we may have a great year—

[Translation]

Mr. Robert Aubin: We are often told that there are specific problems because of winter and exceptional returns some years. Are not the exceptional returns in agriculture five years ago normal returns now, in 2018?

[English]

Mr. Greg Northey: Yes, there's a steady trend upward, but for the harvest, if you take the three-year average, you're going to be able to predict with pretty good certainty the size of the crop you're supposed to move each year, and the railways do that. They plan operationally months and months ahead of time for the crop. They assume a crop size.

Yes, you should be able to plan, but the reality is that they don't necessarily plan based on the demand of the industry. They plan on how they want to utilize their assets. The capacity they plan isn't necessarily always going to meet the demand that's required, just by the very fact that they don't have to respond to all the demand when it comes at them.

●(1545)

[Translation]

Mr. Robert Aubin: Thank you.

The floor is yours, Mr. Shaughnessy.

[English]

Mr. Michael O'Shaughnessy: Thank you.

I guess at a high level, global demand continues to grow as people move to middle class. The population of the world is getting bigger, and there's increasing demand for Canadian resources in agriculture and forestry. We're blessed that way.

This is the challenge we see. We're not looking to grow our steelmaking, coal, copper, and zinc businesses, but we see increased exports of U.S. thermal coal coming up and placing strain on the existing capacity, and grains increasingly intermodally. I think it's an aggregate effect, the overall growth, and we're going to continue to see that.

Yes, it's like *Groundhog Day*, but we're persistent, and we'll continue to try to grow to meet new demand, as will rail and port, but it feels sometimes that we're lagging.

The Chair: You have 40 seconds.

[*Translation*]

Mr. Robert Aubin: I will continue with you, Mr. Shaughnessy. In your cover letter, you stated the following:

[*English*]

“Therefore, we recommend that the government consider adopting a similar data transparency mechanism....”

[*Translation*]

In fact, you want the same policy put in place as in the United States. In the transportation industry, we often hear about harmonization of Canadian and American legislation. What is blocking that?

[*English*]

Mr. Michael O'Shaughnessy: At a high level, we hope for increased transparency so that we understand what an appropriate level of return is for a rail company based as an infrastructure company. Commodity producers take on a lot of risk, so we're always trying to determine what's fair so that we divide the pie appropriately.

Yes, we think the U.S. does this better than we do right now. It provides a lot more transparency on cost and margins.

[*Translation*]

Mr. Robert Aubin: Does anyone wish to add anything on this question?

[*English*]

The Chair: No? I guess not. Thank you very much.

Go ahead, Mr. Iacono.

[*Translation*]

Mr. Angelo Iacono: Thank you, Madam Chair.

Mr. Neuheimer, my question is more for you.

Canada is the world's second largest exporter of forestry products. What are the transport challenges for the forestry industry? What aspect should the Government of Canada address first?

[*English*]

Mr. Joel Neuheimer: This really comes back to the vision point that I was trying to make in my remarks earlier. Probably the biggest pain point that we have right now is right here at the port of Vancouver. Once you get near Vancouver, it becomes a bottleneck and it slows down. Why are we not investing more to eliminate those bottlenecks once and for all? If we're not moving trucks efficiently in and out of and around the port of Vancouver, why are we doing more short sea shipping?

I think we have to spend more time trying to answer those questions. Then we have to come up with some better answers to moving the products through more rapidly and trying to take advantage of opportunities we have.

I talked about the trans-Pacific partnership that hopefully will be rapidly adopted. We want to ship more to Asia. We want to be less dependent on the United States, especially with the uncertainty that we're facing there right now in the marketplace. Unless we're able to solve those problems by using Prince Rupert or other options more, we're not going to fully realize our potential. It's going to work as a disincentive for investment in Canada.

Mr. Angelo Iacono: In your remarks before you were asked to stop, you mentioned something about to be eased by immigration and training. Can you develop a bit on that?

Mr. Joel Neuheimer: We're desperate to find people to drive trucks. Conceivably, we should have an easier time with the new folks who are coming to Canada. Some of them, conceivably, would want to drive a truck and start to pay for their living that way. Why can't we make it easier for some of those newer arrivals to get into that business? It's very expensive to get into that game, and it's very expensive to do some of the training. Why can't we make it easier for people to do that if they're interested in doing it, especially when they're new Canadians?

Mr. Angelo Iacono: Thank you.

Do I still have some more time? Yes. I'll be giving it to my colleague, Vance.

Mr. Vance Badawey: Thank you, Madam Chair and Mr. Iacono.

Again, I want to dig a bit deeper. The fact of the matter is, that's why we're here. It's to come up with a “how” to the “what”. We talk about the obvious with transportation, infrastructure, the operating side, the capital side. We have had a lot of discussion about that in the past few days, here as well as in Niagara.

I want to dig a bit deeper into the “other”. The other is what affects the transportation. The key here is transport and the methods by which we transport to strengthen our international economic footprint. Fluidity is critical. Fluidity in terms of trucks, boats, planes, cars, and railcars is an obvious one. Let's take it a step further in terms of those choke areas, those areas that are congested, and why we don't have that fluidity.

You talked about diversification into new markets. The government has made great strides, in the past few months especially, with respect to responding to our friend to the south. I guess that would be a subjective comment, but that said, we do have to respond. In responding, we have to be less reliant on the obvious market—albeit robust—and get into new markets, such as Malaysia, the EU, Asia, India, and areas like that.

My first question to you is this: how do we enhance what we've already announced with respect to diversifying into new markets?

Number two, I want to speak about the elephant in the room. No one seems to want to talk about this publicly, but I'll say it anyway. It's the fact of productivity and the lack thereof. In competing against international markets, I guess one of the albatrosses around our neck is the lack of efficient and fluid productivity at our ports.

With that, I'm going to ask you the question. We know what the problem is. We see that. We've heard it loud and clear, but with your background and your expertise, what are some of the solutions that we, as a partner, a federal level of government, can facilitate in discussion with all levels of government as well as with partners across the country? What do you think the solutions are?

•(1550)

The Chair: Before you start, just to make it clear, this is now the completion of Mr. Iacono's time. Please answer. Now we're into Mr. Badawey's time.

Mr. Vance Badawey: Thank you, Madam Chair.

Mr. Joel Neuheimer: I'll start.

I'll go back to the announcement by Minister Bains on Monday of this week about his work on resources for the future. He called on industry leaders to get the leaders from the transportation providers and the users together and to not let them go away until the problem is solved.

In terms of the idea mentioned in the program about having this 50-year strategic infrastructure plan, I think it would be a great thing to focus on with business leaders, indigenous leaders, and community leaders. Just think of all the communities across Canada that depend on forestry, and the opportunities we're missing by not getting more of our stuff to market.

It happens to be forestry week: Happy National Forest Week.

If I can go into the grains sector a bit, we have a bit of a reputation issue there. I think people in places such as Japan question whether or not we're going to be able to get the stuff there. We need to be reliable providers. I would like to see us focus on solutions.

Until we get there, we shouldn't be walking away from these tables. We need to sort this out. It's too important not to sort out.

Mr. Greg Northey: To build on Joel's point and the report from Minister Bains he is referencing, there was a specific report on the agrifood sector, as it's one of the sectors targeted by the government for future growth. It's one of I think six that were chosen. The big point there was that for infrastructure, you want a long-term plan, and you want it to be evergreen. You want to be constantly talking about how you fix it. When you're looking at how to invest and then how to grow infrastructure, that's a key point.

The other main thing in his report—and I referenced it in my opening statement—is that this needs to be evidence-based. In terms of the transportation sector right now, we have very little insight. The ability to get data and information on how fluid it is and how things are moving from ports right back to the country is very limited. The grain sector has invested a lot of money in developing systems to be able to do that, but we need to take it to the next level.

You've had discussions around blockchain already today. These kinds of things are the kind of information we need to make the correct decisions commercially and with the government.

I would flag again that this regulation system is going to be happening soon. That should be a key focus for this work.

•(1555)

Mr. Michael O'Shaughnessy: I guess I'd highlight first the gateway funding that was announced on the north shore, which helps alleviate some bottlenecks for us. We're looking forward to that as we move forward to 2021.

As a producer, we're investing to improve our inventory stockpiling at the sites so that we can manage some of these challenges we've run into with our supply chain. We're also investing probably close to \$400 million in upgrading the Neptune terminals on the north shore to ensure that we have that flexibility and continue to get the service and get the product to market. When these opportunities come up and the market is volatile, we have to capture it.

At a high level, evidence helps, and conversations around the numbers. Data-driven evidence is definitely beneficial, but we all benefit when we're fluid and we all benefit when we're productive. The challenge is that some of our partners are incentivized to run as lean as possible. When we run into these winter issues that happen every year, or have surges in grain crops, they aren't built to recover. That's not how they're running.

Mr. Vance Badawey: If I may, Madam Chair, I'll conclude with this.

When you look at facilitating getting all the folks around the table, again, that in fact is why we're here. That is what we're trying to do. This is the initial stage of that.

Peter Xotta from the Vancouver Fraser Port Authority commented today that establishing a federal trade corridor is “the primary and most useful role” the federal government can take. He talked about leadership, bringing people together, being merit-based, and so on. That feels good, yes, but we're only halfway there—not even halfway there—so the intent, following this, is to continue this dialogue and therefore gather the evidence. We can get focused on those infrastructure investments so that they align with and attach to the ultimate strategies—in this case, trade corridors—that we're trying to establish.

Of course, with that, as Greg said, it's being evidence-based so that we do recognize the performance measures—whether it's productivity, whether it's infrastructure, whether it's operations, and the list goes on—and make those investments accordingly to ensure that we elevate our performance.

The Chair: Thank you, Mr. Badawey.

Go ahead, Mr. Jeneroux.

Mr. Matt Jeneroux: Thank you, Madam Chair.

Thank you to all three of you for being here today.

To follow along a line that's similar to Mr. Badawey's, I think it's certainly important that we hear where we can go forward with a number of policies, but I think it's also incumbent on the committee to address certain things that are in place, things that are the challenges right now in your industries. In particular, we heard a lot from a number of proponents today who addressed a piece of legislation, Bill C-69, that has been a hurdle to them.

Mr. Neuheimer, you indicated that around your own boardroom table a number of the CEOs are looking to the United States. You addressed one component of that, but I'm hoping you can expand on perhaps some other things that we as a committee can collectively look at—perhaps the challenges around why those CEOs are looking south as opposed to north.

I'll open that up to other members of the panel afterward.

Mr. Joel Neuheimer: Assuming I understood your question correctly, transportation is not the only threat to investment in Canada. There's also the overall tax system. There's accessing the fibre that we need to access in order to make the products we make. There is a lot of work going on right now on species at risk. We are determined to protect species at risk, but the federal government and the provincial governments need to find solutions to do that in a manner that works and that doesn't unnecessarily drive business out of Canada.

We're facing a range of challenges on the competitiveness front right now. We welcomed the news by the Minister of Finance that he will focus on competitiveness in his next budget. We actually made some detailed recommendations.

If you want, I can send you our pre-budget submission. You can see more detail in there.

Mr. Matt Jeneroux: I actually have it in front of me here.

Mr. Joel Neuheimer: Oh, perfect.

Mr. Matt Jeneroux: A couple of them stood out. Obviously, you talked a little bit about NAFTA. I think that's probably a general theme. We don't know about that yet, I guess.

One that you also brought up here is this: "Address the overall tax burden, including investment depreciation treatments." That's one sentence in your submission, but perhaps you can expand on that a little bit.

Mr. Joel Neuheimer: I think we have to be careful about taking business for granted. The industries you see represented here at the table today generate a lot of revenue that helps pay for a lot of really important social programs across Canada, but we are in a global marketplace and we are up against some intense global competition. If it's easier to do business in places like Scandinavia and Brazil and Russia and places like that, we need to figure out a way to make it attractive to do business in Canada again. We need to eliminate some of the challenges we've talked about—transportation infrastructure, access to fibre for us specifically in our business, and the overall tax system.

With regard to the truck driver shortage, along with I think 10 different organizations, we signed on to a letter that was sent to the Prime Minister this past Monday, asking him to act more urgently, in collaboration with provincial colleagues, on the truck driver shortage. I mean, what a lousy reason not to be doing better economically: We can't find people to drive trucks. We can't set people up to drive trucks to get stuff to market. It's ridiculous.

• (1600)

Mr. Matt Jeneroux: Right.

I did say I'd open it up to the other members. I apologize for going twice to Mr. Neuheimer, but other members, if you have any—

Mr. Greg Northey: Yes, we have a few examples.

For the pulse sector in particular, a good example of the kinds of things that can cause problems for your industry is India, for instance. It was our largest market. It's a \$2-billion market that is effectively closed to us now, due to both tariff and non-tariff trade barriers. The impact of that on the sector was quite big. That product had to find a home somewhere. We had processing facilities in the country that needed to still move it out to keep jobs and to keep the facilities running. As Joel says, the problem we have is that it's extremely competitive out there now. The Black Sea is now matching our production.

Last winter we were faced with transportation problems, coupled with these barriers to a big market for us. It was extremely difficult for Canada to compete, because if we made a sale, we couldn't get the product there. When you have these kinds of failures in your infrastructure and your ability to.... We have some of the best traders in the world and some of the best product in the world, and we can't sell it because no one trusts us to deliver it. That's a big problem, because we're going to see more competition. There are all kinds of things wrapped up in that. There are geopolitical issues, but ultimately, if we're going to be tasked to succeed in the world where competition is going to increase, we need to take these opportunities now to make sure that we have infrastructure and the transportation system we need.

Mr. Michael O'Shaughnessy: Regarding truck drivers, just to add to Joel's comment, we couldn't get fuel to the sites because we were short of truck drivers. We flew some in from the east coast. We can afford to do that at times because it is a volatile market and we'll take advantage when we can. That's something we had to do.

On the competitive side, we need certainty, so anything we can do to ensure.... It's a global market, as I've said already, but Teck invests across the Americas, so if we view better returns elsewhere, we'll put our money there.

The Chair: Go ahead, Mr. Aubin.

[*Translation*]

Mr. Robert Aubin: Without the same transparency regarding data as there is in the United States through their system, should the Agency's investigative powers not be reviewed so it is at least possible to have access to such data at a given time and to avoid squaring the circle?

[*English*]

Mr. Joel Neuheimer: I can start on this one. Thanks for the question.

Actually, this goes back to an ask that a number of the railway's customers made, going back to Bill C-49, which was for for the agency to go out and investigate these types of matters independently. Minister Garneau put some conditions on it. He made it conditional on his approving an investigation and reserving the right to impose certain criteria for how the investigation is conducted. What we think would be even better would be to give the watchdog the power to go out and investigate things that need investigation on its own, without these special limitations.

It's Transport Canada that sets transportation policy in Canada; there should be no fear that the agency is all of a sudden going to make policy. The agency's job is to go out and investigate situations when things are not working the way they're supposed to. I would very much appreciate having the agency act more independently in the scenarios that you're talking about, Mr. Aubin.

[Translation]

Mr. Robert Aubin: Thank you.

Would you like to add anything, Mr. Northey?

[English]

Mr. Greg Northey: We very much supported that provision, but one thing we always have to keep in mind is that if the agency needs to investigate, it means it's too late. The failure has probably happened.

If they have the proper data, they can start to see when the supply chain starts to become an issue and they can maybe step in and smooth it out so it's not so bad, but we need to have that kind of insight. We need to have that information to know that this week, we're starting to see red flags around what's happening in the rail network and we need to do something. We need to be able to go to the railways and we need the rails to speak to the customers so they can start to plan: "Okay, we're going to have a problem in the next couple of months." That did not happen last year.

If they need to investigate a catastrophe or a crisis, it's too late for us. We need to avoid the crisis in the first place. We need to be forward-thinking. We need to be thinking about how we prevent this. Data is a huge example of how we can do it. The U.S. has their data, but I think we can be much better in Canada. We can be much, much better. We don't have to look to them for an example of it. We can set our own regime now. Bill C-49 gave us the ability to do that.

• (1605)

The Chair: Thank you very much. We appreciated all that; it's valuable information. It's only one country, and we all love it and want everybody to do well, so thank you for the advice and the recommendations. Stay tuned for how we move forward.

We will suspend for the next panel to come forward.

• _____ (Pause) _____

•

• (1610)

The Chair: I'm calling the meeting back to order.

With us we have Parm Sidhu from the Abbotsford International Airport. From the Vancouver International Airport Authority, we have Gerry Bruno, Vice-President, Federal Government Affairs, and

from the Victoria Airport Authority, we have Geoff Dickson, President and Chief Executive Officer.

Gentlemen, welcome, and thank you very much for coming in. We realize that it is towards the end of the day and we appreciate your taking the time to come in to talk to the committee and to give us an idea of where you think the future needs to go and how we can all help.

Mr. Sidhu, would you like to go first?

Mr. Parm Sidhu (General Manager, Abbotsford International Airport): Thank you.

Good afternoon, Madam Chair and members of the committee, and welcome to beautiful British Columbia. I hope you're enjoying your stay so far.

The Chair: We should be outside, actually—then we really would be enjoying it—but that's okay. This is all part of our job.

Mr. Parm Sidhu: My name is Parm Sidhu. I'm the airport general manager from Abbotsford International. I appreciate the opportunity on behalf of the Abbotsford International Airport to present some information to you this afternoon.

Abbotsford is the fifth-largest city in British Columbia. It's actually the largest city by land mass in British Columbia. It's located in the region of the Fraser Valley, about an hour from here, or 60 kilometres.

The region is one of the fastest-growing areas in the country. There's a fair bit of population growth, and a lot of the industrial and commercial lands are available south of the Fraser, from Surrey to Chilliwack.

Within that region is an asset called Abbotsford International Airport. It was formerly run by Transport Canada, but in 1997 it was transferred or sold to the City of Abbotsford. The City of Abbotsford took ownership in 1997. Since 1997, we've reinvested \$75 million into the asset. Basically, we're a self-sustaining business unit of the City of Abbotsford. We do what we do at the airport with the revenue stream we generate. We do not cost the taxpayers of Abbotsford any money. We are self-sustaining.

Since 1997, our passenger volumes have changed drastically. We were at 3,000 passengers in 1996 at transfer. We're now well past half a million, and I'll explain further where we're going with that.

We're a major asset for the Fraser Valley. We're three kilometres from Highway 1. We have two land borders within five miles of either side of the airport. Highway 1 is a critical piece of infrastructure. There's a \$22-million investment being made right now in partnership with the City of Abbotsford, the federal government, and the province of B.C. to widen the roadway leading to the airport to four lanes. That's going to significantly enhance access to the airport.

We transformed our business model in 2015. We saw the airline landscape changing, and we saw the future of ultra-low-cost carriers being a reality in Canada. What we did was align our business model to be cost-controlled, just like an ultra-low-cost carrier. In 2015 we transformed our business model. With that, our passenger volumes in 2015 were 490,000. In 2016, they were 530,000. Last year they hit 677,000. This year we're on target to hit 860,000—it could reach as high as 900,000, but we're budgeting for 860,000. Next year we should break the million mark.

What the ultra-low-cost carriers are doing, primarily with Swoop and Flair, means air travel is becoming more accessible to your everyday Canadian. We're talking regularly to people in the terminal now who say, "I would not be flying if it weren't for the low-cost fare." The importance of ultra-low-cost carriers is huge for Canadians, because they are making air travel accessible to all.

We have four national carriers that operate at our airport. WestJet, which has been a strong partner since 1997, has committed to that region and has offered around seven to nine daily flights since 1997. We have Air Canada Rouge, which offers seasonal service to Toronto. We now have Swoop, which is offering flights to Edmonton, Calgary, Winnipeg, Hamilton, and soon Las Vegas, starting October 11. We'll have three weekly flights. On top of that, we have Flair Airlines, which had a partnership with NewLeaf Travel, and that has really grown our passenger numbers.

With the changing times that we're facing, we are adapting to a different business model. We are operating the airport in a manner that enables others to grow our region, province, and nation in the best interests of Canada. The brand is Canada. We are enabling others to partner with us, especially airlines and aerospace companies, to do better as airlines and fly more people fly out of Abbotsford, barrier-free. We are a regional airport that wants to service our population base from an O&D perspective, an origin and destination perspective, so you're either starting there or ending there. We want to continue to grow our airport.

We also have a lot of aerospace companies at our airport. Cascade Aerospace is a C-130-certified facility, maintaining Canada's C-130 Lockheed Martin fleet. We also have companies like Conair Aerial Firefighting, fighting forest fires globally. Conair's headquarters are in Abbotsford. We also have the likes of Marshall Aerospace and Defence Group.

Also, we have three flight schools. One in particular is Chinook Helicopters, one of the premier helicopter schools in North America. They started a fixed-wing division about two years ago. They saw the possibility of a gap emerging with the shortage of pilots. We're doing everything we can to make sure more pilots are trained and in the system.

With our region and airport growing at a record rate, the further increase in investment in Highway 1 is of great importance. Highway 1 is the main corridor that connects Vancouver to the Fraser Valley and onwards, right to the east coast of Canada. It turns into a parking lot during some peak hours of the day. Any investment in that will not only help Abbotsford; it will help all of us.

● (1615)

In closing, our economic success in B.C. and Canada depends on being competitive on the world stage. Improving our transportation systems will enable B.C. to continue to get products to market and continue to grow our economy.

For Canada's economy to succeed, southwestern B.C. must be able to get Canadian products, services, and people to key markets. It is critical that we address transportation bottlenecks and congestion along Canada's trade corridors, especially the Trans-Canada Highway in southwestern B.C. We must have access to advanced gateways with logistics and integrated infrastructure, and we must have transportation networks that facilitate the movement of goods to market.

The city of Abbotsford and the Abbotsford airport are open for business and thank you for your time.

The Chair: Thank you and congratulations. It sounds as though you're doing a fabulous job at that airport.

Go ahead, Mr. Bruno.

Mr. Gerry Bruno (Vice President, Federal Government Affairs, Vancouver International Airport Authority): Good afternoon, Madam Chair and members of the committee.

I'm Gerry Bruno, vice-president of federal government affairs for the Vancouver International Airport Authority. I thank you for providing us the opportunity to make a presentation here today.

I'd like to start with an overview of Vancouver International Airport's role as a key player in Canada's trade corridors.

● (1620)

The Chair: You have five minutes, Mr. Bruno.

Mr. Gerry Bruno: Yes, I'm good.

We are Canada's second-busiest airport; we are one of North America's fastest-growing international airports, in terms of both passengers and cargo. YVR plays a significant role as a connecting hub to Canada and North America, both from Asia-Pacific and Europe. In 2017, we welcomed a record 24.2 million passengers, which was an 8.4% increase over the previous year. Our terminal capacity is 25 million passengers; we expect to reach about 26 million this year and 29 million by 2020, so we are effectively at capacity.

A total of 56 airlines service YVR, connecting people and businesses to more than 127 non-stop destinations worldwide. We've been recognized as the best airport in North America by Skytrax's survey for nine years in a row, which is an all-time record. Our cargo business grew faster than our passenger count in 2017, and this includes high-demand B.C. perishables, including seafood and fruit. In 2017, we moved over 313,000 metric tonnes of cargo, accounting for over \$2.7 billion in cargo exports. A significant share of our cargo is transiting to and from other parts of Canada and the U.S., primarily by truck. Consequently, surface transportation infrastructure and border capacity are critical, particularly for our perishables and just-in-time goods.

YVR is a key economic driver for B.C. and Canada, generating over 24,000 direct jobs at the airport, supporting over 100,000 jobs across B.C. and accounting for \$16.5 billion in total economic output.

To address our rapid growth, we recently launched a \$9.1-billion expansion plan. This includes 75 projects over the next 20 years. As you know, we receive no federal funding, and as a not-for-profit, the airport authority finances its expansion through debt, which is paid off from key revenue sources such as landing fees, retail and other commercial revenue, and airport improvement fees.

One of our other sources of funding is revenue generated by our innovative travel solutions team, which develops and markets automated border kiosks for both border entry and exit immigration. We sell these to airports, airlines, ports, and government agencies throughout North America and in other parts of the world.

Borders and security have a tremendous impact on our capacity and competitiveness. Because of this, Vancouver airport led the establishment of the binational Beyond Preclearance Coalition, aimed at further improving border and security processes through greater use of technology, which will both enhance security and move people and goods at speed. This coalition involves over 40 organizations engaged in transportation, trade, and tourism. All modes of transport are represented. We have ports, airports, airlines, rail, cruise lines, and trucking. Our coalition has raised about \$450,000, has organized a number of forums, round tables and summits and has commissioned a "Beyond Pre-Clearance" white paper, which will be published in the first week of October, basically next week.

The white paper will include recommendations on long-term initiatives and public-private partnerships for technology investments as well as a number of short-term pilot projects. We expect that payoff in terms of improved border and security services and cost savings could be huge. If the recommendations of the white paper are adopted by our government partners, the Vancouver airport alone could save billions of dollars in planned capital investment.

I will be pleased to share the final white paper with the committee. It should assist you in your review of infrastructure funding priorities and strategy.

Thank you, again, for the opportunity to speak to you today. I would be pleased to answer any questions.

The Chair: We'll go on to Mr. Dickson.

Mr. Geoff Dickson (President and Chief Executive Officer, Victoria Airport Authority): Madam Chair and ladies and gentlemen, thank you also for the opportunity to speak to you this afternoon. My name is Geoff Dickson. I am the president and CEO of the Victoria International Airport and I'm also chair of the Canadian Airports Council small airports caucus.

Just so you know, Canadian airports are economic engines and drive some \$79 billion in economic output. That's the most recent information we have. A total of 355,000 jobs are generated directly and indirectly through airport activities, and close to \$5 billion in federal taxes are generated. Victoria International Airport alone generates close to \$1 billion in economic output for the greater Victoria region.

I commend the committee for its forward thinking, and I look back to another time, in the 1990s, when Transport Canada had the foresight to step out of operating airports and focus solely on being a landlord and regulator. If you move forward to today, since that time Canadian airports have grown from 65 million passengers in the 1990s to 147 million passengers in 2017.

Over \$25 billion has been invested in airports by the Canadian airport authorities. I contend that without this model, a choke point in a trade corridor would have been created through lack of taxpayer-available funding to support this growth, and the appropriate infrastructure investments wouldn't have been made. The government of the day ran a deficit of \$135 million annually, so it was a very good move all around.

Unfortunately, we see that one of the elements in the aviation supply chain has not been addressed, and that's the Canadian Air Transport Security Authority, which remains a government agency. It's allocated annual funding by no specific formula. It does not match revenue to expenses and is not keeping up with passenger growth at Canadian airports. You just heard some of the growth numbers I provided to you.

You have highly skilled individuals at CATSA, but their hands are somewhat tied, which leads to congestion in security, long lineups, delays for airlines, potentially missed slots, and inconvenience for customers. It adds potential barriers to trade growth. That area needs to be addressed.

At Victoria International Airport, we feel the velocity of travel created through the continued North American and global expansion that you just heard Mr. Bruno speak of at YVR. Hubs are gateways. They don't just rely on the local market economies, but on the overall strength of the arterial feed system from airports such as Victoria International Airport.

While we're of a size that we can make the appropriate infrastructure investments, smaller airports throughout British Columbia cannot. For YVR to continue to grow, it needs a strong economy and sophisticated connections throughout Canada, the U. S., and internationally, combined with the needed feed to and from the regional airports, such as in Prince George, Kamloops, Nanaimo, and Castlegar. There needs to be federally funded mechanisms in place to ensure these regional airports have the required access to infrastructure funding.

This is all part of a cohesive gateway strategy, and while my comments here speak to British Columbia, they are true for the airport hubs in regional feeder airports across the country. There is a program called the airports capital assistance program, or ACAP, and that has been a valuable program for small airport funding. The funding levels, however, have not changed in 18 years. There are presently six airports in the national airport system, the NAS—Prince George, London, Fredericton, Charlottetown, Saint John, and Gander—that aren't eligible for ACAP funding, and they're not able to meet their capital needs. There just simply aren't enough passengers at those airports to generate the revenue that's required for infrastructure investment.

There has been progress, and you're to be commended for the national trade corridors fund. It's been a tremendous initiative, but those levels are uncertain and it's not predictable for the future. Consideration needs to be given to raising the current ACAP funding level, which has been held constant, as I said, for the last 18 years, at least by historical CPI, and hasn't kept up with the inflationary impacts of what we see in equipment, the cost of labour, paving runways, and in apron facilities.

•(1625)

The economic prosperity of a region is inextricably linked to its connectivity to the rest of the world, and that's why it's so necessary to make those appropriate airport infrastructure investments.

Thanks very much for the opportunity to be here.

•(1630)

The Chair: We'll move on to Mr. Jeneroux.

Mr. Matt Jeneroux: Thank you, Madam Chair, and thank you all for being here. It's our last panel of the day, and you've probably had a long day too, so I'm looking forward to getting some questions answered.

Did you want to pick up right where you left off, Mr. Dickson?

First of all, I've been to your airport many times and I'm excited to see the latest renovation under way. I was there a few weeks ago. You've done a lot of work in the last number of years, and it's looking quite remarkable, thanks to the changes you've already made.

To pick up on the ACAP funding, I have the website up in front of me. Can you help me understand why a number of these airports aren't eligible for the funding? Is it a certain number of passengers that need to go through there, or a certain dollar amount that it has to hit in terms of revenue? What are some of the...?

Mr. Geoff Dickson: The six airports that were identified are part of the National Airports System. One of the criteria for being an

NAS airport is that you have to be self-sufficient to be eligible for that level of funding.

The other criterion was a volume of 525,000 passengers, and the airports that are applying for funding have lower volumes than that. The challenge is that those six airports I mentioned are, I believe, below that threshold.

Mr. Matt Jeneroux: You said this has been in place for 18 years?

Mr. Geoff Dickson: The funding levels haven't changed for 18 years, and the program was put in place in the late 1990s.

Mr. Matt Jeneroux: Have the requirements changed in the last 18 years?

Mr. Geoff Dickson: Considerably, yes. With the escalation on different types of equipment, a fire truck, for example, could cost \$1 million. Those are significant investments that airports need to make to maintain safety and the overall level of their infrastructure.

Mr. Matt Jeneroux: In terms of passenger numbers—the 525,000 that you indicate—has that changed?

Mr. Geoff Dickson: That threshold hasn't changed.

Mr. Matt Jeneroux: Okay. You'd think that over 18 years, with the increase in population, you'd hit it.

Maybe just because we're tight on time, I'll switch over to Mr. Sidhu. Thank you for your presentation.

We were in the Niagara region earlier this week, and we heard from a number of airports there some concern about people going south of the border to catch a flight. When you do that, you don't then have to do an international flight; I guess you drive through the border to connect. Do you have similar concerns at your airport?

Mr. Parm Sidhu: Yes, there was a fair bit of cross-border leakage. I believe at one point 70% of Allegiant's traffic out of Bellingham was Canadian, so there were a couple of issues there. We never had a carrier that was willing to take that market on, and with Swoop we now have a carrier that's going to offer Canadians more competitive fares on the Canadian side of the border.

This summer we counted 47 U.S. plates in our parking lot. Depending on the destination, there's some flow coming back in the other direction now. That's why we need multiple ultra-low-cost carriers in this system. It's important to grow the market share in Canada, to take Canadians where they want to go and possibly reverse the flow.

Mr. Matt Jeneroux: In August 2016, you received funding for support for the Mt. Lehman Road project. Is that Highway 1? Are they different? I'm not familiar with the area.

Mr. Parm Sidhu: It's considered a provincial road from the highway to the airport. It's about 3.3 kilometres long. There's about a \$22-million investment, which is funded by the federal government, the province and the City of Abbotsford. It connects to Highway 1. Highway 1 is two lanes up until a certain part of Langley, when it expands into three with an HOV lane.

We're requesting that the committee consider three lanes all the way past Abbotsford through to Chilliwack, which would be an enabler for everyone.

Mr. Matt Jeneroux: Yes, okay.

What's the status of that project now? Where is the—

Mr. Parm Sidhu: I believe up to 216th Street eastbound they're going to have three lanes. From 216th on to Chilliwack is still being considered.

• (1635)

Mr. Matt Jeneroux: No, sorry; I mean the funded project, Mt. Lehman Road, the four-laning in Abbotsford, the one that was funded. Is it complete?

Mr. Parm Sidhu: It will be in November 2019. The work has started. It will be finished about November 1, 2019.

Mr. Matt Jeneroux: It's to be completed November 1, 2019. Is it on target?

Mr. Parm Sidhu: That's correct.

Mr. Matt Jeneroux: Okay, perfect.

Mr. Bruno, you mentioned that you don't receive any federal funding. You wouldn't get it, necessarily, for the airport, but you'd receive it in, say, green funding, infrastructure funding, with the expansion of the rail line you have there. There must still be tie-ins federally.

Mr. Gerry Bruno: I'll respond through the chair. We do not receive any funding at all. We haven't applied for, we don't believe we are eligible for, any of these funds under the green program. With respect, I think you're talking about the Canada Line that connects to the airport. That is a private-public partnership, and the airport invested \$300 million into building that line to cover the cost of the airport portion and the stations on the airport. The rest was funded by the provincial government and the federal government, but it's for the portion that went downtown. The portion on the airport we actually funded ourselves.

Mr. Matt Jeneroux: Then the Destination Canada funding, though, is federal funding—the Destination Canada program.

Mr. Gerry Bruno: Do you mean for tourism?

Mr. Matt Jeneroux: Yes. You've signed an MOU. Is there no funding associated with that?

Mr. Gerry Bruno: Correct. We don't get money; we contribute money to a joint marketing program. We work very closely with all of our tourism partners: Destination Canada, Destination British Columbia—

Mr. Matt Jeneroux: You spend money to be part of the program.

Mr. Gerry Bruno: Correct.

The Chair: Mr. Hardie is next.

Mr. Ken Hardie: Thank you, Madam Chair. Thank you for being here.

This is a study of the trade corridor. Normally when we think of that, we think of lumber and wheat and Lord knows what else getting to and from the port or going over the land ports. We certainly became more aware of cargo, especially high-value cargo, going through the airports to some of the Asian markets, cherries from the Okanagan being most notable.

It occurs that when we look at trade, as has come up as an issue in the NAFTA negotiations, the trade in services is also quite important. This is, I presume, where the airports come in as key players in the

trade corridor. Do you have any sense or any statistics or any notions of business travel versus recreational travel—of course, that's a form of trade as well—and the attractiveness of our facilities in bringing in high-quality skills and people to support the economy? Is there any sense of that?

Mr. Gerry Bruno: Through the chair, we serve a lot of business travel, obviously. We cater to that. We have quite a mix.

If you look at high-tech industries, service industries that want to locate in major cities, one key thing they look at is the level of air services and the number of destinations that they can get to from the city, which is why we have invested a lot of money in marketing, bringing in new airlines, working closely with partners like Destination Canada, and our airline partners such as Air Canada and WestJet, in terms of promoting passenger traffic. Actually, Air Canada's been very successful in drawing a lot of traffic from the U.S. west coast to fly to Vancouver and connect to Asian cities. We have more mainland Chinese carriers than any other airport in North America or South America or Europe.

Mr. Ken Hardie: Given the statistics that you mentioned earlier, that you're getting very close to capacity, it seems there's a similarity with the port of Vancouver. There's a strange gravitational pull making everybody want to go through there when there are other facilities—Abbotsford, notably, and perhaps to a certain degree Victoria—where there's underutilized capacity.

What are the conditions that would shift or even out, for the sake of efficiency, some of the demand from a very concentrated, focused area to a place that does have capacity? What has to happen, Mr. Sidhu?

• (1640)

Mr. Parm Sidhu: We're seeing a bit of a shift with the capacity that Swoop and WestJet and Flair have added. That's given the Canadians who live in our marketplace more options.

There has been some capacity added and some additional lift to give more options to consumers.

Mr. Ken Hardie: What about Victoria?

Mr. Geoff Dickson: Well, it's the same.

The first comment I would make, though, is that we're not necessarily built for surplus capacity. We tend to design and build our airports just in time; we like to be just ahead of the demand curve.

There are really two things at play. As YVR grows and adds a Sydney non-stop or a Melbourne non-stop, that's been very good for the Victoria business market. It's a quick connection away. It opens up tourism. It opens up trade.

What you will eventually see domestically—those are hub airports, in a way, and the hubs will always continue—is that at certain times of the day in certain markets, you will start to pull off and fly non-stop. You will see increases, I think first in more intra-Canada domestic non-stop flights. Victoria-Montreal was launched for the first time this year with Air Canada. There is increased Toronto frequency, increased prairie frequencies. Then you will start to grow more into the U.S. markets.

I think it will be a while before we see long-haul international. It's probably 10 or 20 years away.

Mr. Ken Hardie: We talk a lot in our caucus about rural Internet connectivity. Airline connectivity I think adds something to places like Castlegar or Kamloops or Prince Rupert, etc., as well.

YVR has a wonderful airport. I get to see it a lot more these days than I used to. However, I notice that it has become fairly aggressive at new revenue generation.

Is there a rub with the local community, though? When you do something like the outlet mall in competition with the other local merchants, how do you reconcile that? What's the nature of the relationship exercise you have with the City of Richmond or with some of the other adjacent municipalities?

Mr. Gerry Bruno: We work very closely with the City of Richmond. I mean, we are a community-based airport. The City of Richmond appoints someone to our board of directors, as does Vancouver, Metro Vancouver, the provincial government, and the federal government.

When we embark on initiatives like that, we do consult. We work very closely with the communities. We don't see it as much as competition as it is an adjunct service to our own passenger base. We have a lot of passengers who come and have a long layover. There is the Canada Line SkyTrain connection, which is free from the terminal to there.

A lot of our own passengers use that shopping centre. It's a high-end outlet mall. There are not a lot of them in the greater Vancouver area. Is there some competition? I guess there is, but—

The Chair: Thank you very much.

We'll go on to Mr. Aubin.

[*Translation*]

Mr. Robert Aubin: Thank you, Madam Chair.

Gentlemen, I thank you for being with us.

We have heard several witnesses from port authorities who spoke of their reality. Curiously, when talking about ports, a lot of emphasis is placed on container goods and bulk goods, and there is very little talk of cruise ships. However, when discussing airports, there is a lot of talk about passengers and goods are too often ignored. You presented us with impressive figures.

Mr. Sidhu, I do not even know if goods are handled at your airport. The first thing I would like to know is what percentage of your top line represents goods compared to the transportation of passengers.

• (1645)

[*English*]

Mr. Parm Sidhu: Through the chair, we have a very small amount of cargo. The only cargo that is moved out of Abbotsford is done through WestJet, and they feed Calgary and Edmonton. There is a very limited amount of cargo. The ratio of cargo to passengers is not even measurable.

[*Translation*]

Mr. Robert Aubin: Okay.

It is still odd, because you have a rare commodity. Everyone is looking for industrial lands for sale across Canada. You seem to have some.

What percentage does that represent for you, Mr. Bruno?

[*English*]

Mr. Gerry Bruno: There are two things. I want to bring one fact forward that we tend to forget, and it's not highlighted. The ports get a lot of attention because there is a huge volume of cargo traffic, containers, and break-bulk. Globally, air only accounts for 1% of cargo by volume, but over 30% by value. We really punch above our weight class, if you will, and we are forgotten in the cargo world, but we are a big player in cargo. The value is really what counts, not the volume.

Our passenger aircraft, particularly the wide-body aircraft that fly across the Pacific, have a lot of cargo capacity in them. That's where a lot of the perishable and high-value goods are carried, on passenger aircraft. To make an international route profitable and viable, both are important. Without both together, some of those destinations that we have would not exist.

[*Translation*]

Mr. Robert Aubin: Do you anticipate telling me what percentage of the airport's top line represents the transportation of goods compared to the transportation of passengers?

[*English*]

Mr. Gerry Bruno: For us there is not a lot of revenue or profit on the cargo side, but we see it as a complete package. We don't separate that when we're looking at an aircraft coming in. Basically, the landing fees they pay are for both the cargo and the passenger loads they are carrying. We don't differentiate. We have a lot of land that is used for cargo facilities and warehousing, so we lease the land to the cargo community. That's where we do make a lot of money.

[*Translation*]

Mr. Robert Aubin: Thank you.

Mr. Dickson, you said you are President of an association of smaller airports. Are you talking about only airports on the West Coast or across Canada?

[*English*]

Mr. Geoff Dickson: No, it's throughout Canada, within the Canadian Airports Council, which is our advocacy group for the Canadian airports. It's structured into the eight largest airports in the country and then all the other member airports, the smaller airports. That's typically the airports that would be our size, from two million passengers down to a few hundred thousand.

[*Translation*]

Mr. Robert Aubin: Do you know which members of your association are from Quebec?

[*English*]

Mr. Geoff Dickson: The Quebec City airport certainly is. I think there's just Quebec City, but I'm not 100% certain on that.

[Translation]

Mr. Robert Aubin: For us, the Jean-Lesage Airport in Québec City is still a major airport, behind Montréal, of course. We would not consider referring to the Québec City airport as a regional airport. We would instead do so regarding small airports, such as the one in Sherbrooke or Trois-Rivières.

Could those airports be members of your association?

[English]

Mr. Geoff Dickson: They certainly can.

[Translation]

Mr. Robert Aubin: What services could they receive as members of your association?

[English]

Mr. Geoff Dickson: If they had an interest in being pushed forward at the federal level, if they had access to information, best practices in airport management.... There are a number of different committees, whether operations or environmental management practices, that come together with the airports with information sharing.

[Translation]

Mr. Robert Aubin: Thank you.

I will come back to you, Mr. Sidhu.

You spoke about flying schools at the Abbotsford Airport, one of which specializes in Chinook helicopters. You certainly also have flying schools for airplanes. As we know, there will be a shortage of pilots in the industry, sooner rather than later.

Do you have difficulty recruiting students and instructors?

•(1650)

[English]

The Chair: Give a short answer, please.

Mr. Parm Sidhu: The long and short is yes. We're getting an abundance of students. Intake is high, but now we're seeing a shortfall in instructors.

The Chair: Thank you very much.

Go ahead, Mr. Iacono.

Mr. Angelo Iacono: Thank you, Madam Chair.

I'd like you to continue with that response if you have anything else to say.

Mr. Parm Sidhu: The shortage of pilots is going to impact airports and airlines not just in North America but globally.

We have three schools that are trying to fill whatever shortages they can, but they're not going to solve the problem alone.

Mr. Angelo Iacono: My question is for Mr. Bruno.

What have you done to attain such high scores to make the Vancouver International Airport Canada's largest airport in terms of domestic air flights and third-largest in cargo? Is there anything else that you'd like to add? You've made a few comments based on the questions that have been asked of you. What's the one thing that really got you to have those kinds of results?

Mr. Gerry Bruno: That's a tough question. We've been asked that by many people in the past.

I don't know. I think there's a spirit of innovation. We have pioneered a lot of new things at our airport. For example, the automated border clearance kiosk that many of you use when you arrive at an international airport is something we developed ourselves and sell around the world. We actually have 65% of the U.S. airport market.

Mr. Angelo Iacono: In other words, you've made your airport a smart airport. Is that it?

Mr. Gerry Bruno: Yes, you could say that.

Mr. Angelo Iacono: Is that technology something that you're sharing with other airports?

Mr. Gerry Bruno: Absolutely. As I said, we do sell the kiosks to other airports.

Mr. Angelo Iacono: Okay.

I have another tough question for you.

I'm happy to hear about your rapid growth and attaining the 26-million passenger mark. What do you have to say about noise pollution from air traffic flights in the vicinities of major airports?

Mr. Gerry Bruno: It's the reality of airports. Airplanes make noise. It's been the story of our history in aviation. It's a tough one, and we have tried to do everything we can. We have a noise management committee, which works with the local community. The airlines are on board.

Airlines are using newer aircraft that are much quieter than the older models, and we have put mitigation measures in place by working closely with NAV Canada and the airlines to look at the flight paths and to try to minimize the impact on communities. However, the reality is that airports are noisy.

Mr. Angelo Iacono: Okay.

Would the other two like to add something to that? I know it doesn't affect you as much, but—

Mr. Parm Sidhu: As we're locally owned and operated, we are part of the community. We work closely with anyone who has a comment or a concern. We'll bring them out to tour the airport. We want to be good friends and good neighbours.

Mr. Angelo Iacono: Thank you.

Mr. Geoff Dickson: Similarly, we're talking. We have discussions of flight paths. We have certain restrictions, including operating hour restrictions. I think it's important to engage with the community on a regular basis.

Mr. Angelo Iacono: Thank you.

I'll leave the rest of my time to my colleague Ken.

Mr. Ken Hardie: I do have one question. We should talk about CATSA a little bit. When I'm in the lineup, if the CATSA operator has to go back and take a second look at a bag, I really don't have a problem with that. It's better safe than sorry, obviously.

I guess the question becomes whether there is a risk management regime that should be considered to improve the flow, the efficiency, and the cost involved with providing that kind of screening.

You were nodding, Mr. Bruno.

Mr. Gerry Bruno: Absolutely. That is something we've been pushing for as airports.

A few years ago, when the CTA review was going on, I was commissioned by the Canadian Airports Council to do their submission to the CTA review and I drafted a component on aviation security, which is one of the big missing ingredients in the Canadian security system. There are not enough risk-based approaches, like trusted traveller programs. The U.S. has pre-check, which, if you've used it, is a dream if you're going through that. We need more of that in Canada, but they need funding to be able to have a program to be able to vet passengers in advance and have them become members of that type of a program.

As Mr. Dickson mentioned, there's not a matching of revenue. One of our frustrations is that our international passengers are paying \$26 per flight to go through security, but that money does not go to CATSA; it goes into the general revenue fund, and then CATSA has to apply through Transport Canada to get funding for their operations. There's not a match. Traffic is growing and the revenue pot from the air travellers security charge is growing, but the funding to CATSA is not growing at the same rate.

• (1655)

The Chair: Thank you.

Mr. Badawey is next.

Mr. Vance Badawey: Thank you, Madam Chair.

I have two questions.

Mr. Bruno, you mentioned that this recommendation is going to be released through the white paper within the next few weeks. Are the recommendations solely defined by the airport itself, or are they a combination of dialogue with other methods of transportation, such as rail, road, and water?

Mr. Gerry Bruno: We started it, but it is a coalition. There are over 40 members. The major railroads—CN, CP, and BNSF—are part of our coalition, as well as the port of Vancouver and the Association of Canadian Port Authorities. It's a very broad-based membership, and it's more than airports. The eight big international airports in Canada have all contributed. The airlines have contributed. It's broad-based.

We've hired a consulting firm to write the report on our behalf. We've had engagement with both Canadian and U.S. border agencies and government officials. Everyone has had an opportunity to contribute to the white paper.

Mr. Vance Badawey: Essentially, then, it's a trade and passenger corridor strategy document.

Mr. Gerry Bruno: It's trade and passenger, correct. It's multimodal, and it involves passengers and goods. That is correct.

Mr. Vance Badawey: It very may well have saved us a trip down here if we had known that.

The second question is to Mr. Dickson.

You mentioned the challenge of accessing federal funds because of the new norm, post the nineties, when you folks—who, by the way, have done a great job—took over the airports and ceased to rely

on taxpayer dollars. Private sector investments have brought you to the level you're at now, more than doubling the passenger volume in the airports.

That said—and I mentioned this earlier with other delegations—there are opportunities now at airports and other federally mandated organizations, such as the St. Lawrence Seaway, to combine applications under the trade corridors fund. Essentially, as a trade corridor and as a method or a mode of transport within that trade corridor and a partner within an application, did you consider being a part of that network and therefore being part of an application under the trade corridors fund?

Mr. Geoff Dickson: Victoria International Airport is self-financing and self-funding. We haven't made any applications, nor do we foresee that. I was speaking more for the six NAS airports that have been precluded from—

Mr. Vance Badawey: Put your association hat on.

Mr. Geoff Dickson: I'm putting my association hat on. I'm saying that I believe all six were successful in achieving funding this past year through their applications. I don't know the nuances of all the individual applications at this stage, but I understand they have been successful. The issue is really where to go from here.

That's the uncertainty, I believe. The airport world is a little more predictable in terms of looking at growth and planning for growth. You need lead times and you need a degree of certainty so you can make those investments. Obviously, no one has a crystal ball of what growth is going to be, but you need to be able to plan your capital projects three, five, and 10 years ahead of time.

Mr. Vance Badawey: I appreciate that. Having sat on an airport commission for the better part of 15 years in my former life as a mayor, I understand small airport challenges—the capital side of it, and even the operational side that supports the capital side of it. The long-term financing of debt, etc., is critical.

That said, the trade corridors fund goes up to 10 years, I believe, and with that there is an opportunity for small airports to merge, to network, and to be a part of an overall bigger picture of trade corridors. Within that network, they can then make that application, which can give them that sustainability with their capital funding.

It's just a thought that you can pass on to them. Again, though, as I mentioned earlier with other delegations that came out today, the steps we're going to take from here after we leave Vancouver are not going to stop. Our intent is to keep this dialogue going and to ensure that under the trade corridor strategy or strategies across the nation, we sustain not only the concept of having a blueprint put in place but also attach funding to it. That would in turn recognize the ROIs that would be attached, as well as the performance measures and, moving forward, the productivity of the different ports and trade corridors throughout the nation.

• (1700)

The Chair: Mr. Liepert is next.

Mr. Ron Liepert: I have just a couple of brief questions. They will probably be for Mr. Bruno only.

What is the governance makeup of your authority?

Mr. Gerry Bruno: In our authority here in Vancouver, we have 15 board members.

Mr. Ron Liepert: How are they appointed?

Mr. Gerry Bruno: We have nominating entities from the Vancouver board of trade, the Association of Professional Engineers and Geoscientists of British Columbia, and the Law Society of British Columbia. We have two federal government appointments on our board, a provincial government appointment on our board, the City of Vancouver, the City of Richmond, and—

Mr. Ron Liepert: Then that's pretty similar to Calgary. I think in Calgary the chamber of commerce is responsible to a greater degree, with half of the board or something like that.

The reason I'm asking about Vancouver is that I don't know that it's necessarily as big a problem in the smaller airports. I'm beginning to hear more and more concerns from citizens that it may be time to look at how those boards are structured, at how they're appointed. We're getting to the point now where, whether it's increased airport user fees or whether it's noise, people are now asking questions about a whole bunch of things in terms of how airports are being run. Again, I'm thinking more of the larger ones. You probably don't have those same kinds of issues.

You may not be in a position to answer this, but I'll ask it anyway. Is it time that maybe the federal government had another look at this to say, for instance, that maybe half the airport authority board should be elected by citizens for a three-year term or something? What kind of thoughts would you have there?

Mr. Gerry Bruno: I'm not sure I'm in a position to be able to answer that.

Mr. Ron Liepert: I appreciate that. You're a paid employee, so I get that.

Mr. Gerry Bruno: I do know, however, that Transport Canada has been doing a governance review of airport authorities.

Mr. Ron Liepert: Would either of the other two....?

You're in the same position, I suppose. You're both paid employees of the airports?

Mr. Geoff Dickson: Yes.

Mr. Parm Sidhu: That's correct.

Mr. Ron Liepert: Do you have any thoughts or comments on this?

Mr. Parm Sidhu: I'm an employee of the City of Abbotsford, so the City of Abbotsford employs us. The city council, through virtue of a bylaw, formed an airport authority of 11 members from the business community. Six are local and five are from the greater metro Vancouver area.

Mr. Geoff Dickson: I guess I would just ask you what problem you would be trying to solve that you can't through an elected process—

Mr. Ron Liepert: The problem that I would be.... Well, it's not "I"; the problem, people are starting to say to me, is that those on the

airport authority are no longer either representing or listening to the concerns of the public. Be it noise or be it almost....

It seems as though the airport user fees are consistently going up, and the airport authority is not really accountable to anybody. I mean, they're appointed by the business community or whomever, or a provincial government here or there. Users of the airport or people living on a flight path of the airport are starting to say that they don't have any control over it.

Quite frankly, as elected officials, we don't have a whole lot of control either. I don't want this to be misconstrued, but it's kind of an old boys' club that runs some of these airport authorities these days.

As I say, I think maybe it's unfair to ask you guys these questions, because obviously I'm referring to your bosses. I do think it is becoming more and more an issue that the public is actually starting to pay attention to.

•(1705)

The Chair: Mr. Aubin, do you have any questions? Everybody's all right? Okay, terrific.

Thank you so much. You're the last panel for today. Tomorrow we do site visits and so on.

To the committee, we will suspend now and the witnesses will leave. Before we start our 5:30 session, we need a few minutes to do some committee business.

Again, gentlemen, thank you very much.

- _____ (Pause) _____
-
- (1735)

The Chair: I will reconvene the meeting.

This is our open mike session. It's a short time in our program when we allow a few minutes for someone who might want to mention something to us while we're here and didn't have a chance to be a part of the panels.

We have one individual by the name of Peter Luckham. Peter, welcome.

We'll open the mike so you can share comments that you might want to share with us.

Mr. Peter Luckham (Chair, Islands Trust Council, Islands Trust): Just for clarity, I understood from the written materials that I saw that it was three minutes. I've prepared for three minutes.

The Chair: That's fine.

Mr. Peter Luckham: Okay. Good afternoon.

My name is Peter Luckham. I want to acknowledge that we are here on the unceded territory of the Musqueam, Squamish, and Tsleil-Waututh first nations.

I am the chair of the Islands Trust Council. The Islands Trust Council is a federation of local government bodies representing 36,000 residents and non-resident property owners.

The Islands Trust area is made up of more than 460 islands in the southern Strait of Georgia and Howe Sound. The Islands Trust is mandated through provincial legislation to preserve and protect the unique environment and amenities of the Islands Trust area. We achieve this mandate through planning, regulation, land conservation, and co-operation with other agencies.

I am here today to ask for your co-operation and bring to your attention the impacts that supply chain issues have on the communities and the environment in the Islands Trust area.

Over the past 10 years the number of coal, grain, and break-bulk cargo ships anchoring in the southern Gulf Islands region while waiting to access the port of Vancouver has increased dramatically. The size of these vessels is increasing and the length of time these ships spend at anchor is also much longer.

We understand that these ships end up sitting at anchor due to insufficient port infrastructure and long-standing supply chain problems with railways. While at anchor, these ships generate significant amounts of noise, as well as light and air pollution, and one anchorage in Plumper Sound is used to transfer gypsum from ships to barges. This noisy activity is conducted at night directly adjacent to quiet residential neighbourhoods, and, crucially, is outside the oversight of a port authority.

In addition to the impacts on the quality of life for our local communities, there are many concerns about the potential risks commercial vessels at anchor pose to the marine environment, marine species, and public health. The situation was preventable. It is also fixable. We believe that railways, the port, and government have failed to adequately plan and invest in infrastructure for the growth of exports.

Predictions are that anchorage use will continue to increase unless the federal government and the port of Vancouver implement solutions now.

We have raised our concerns with the industry and the federal government by asking with UBCM endorsement for a 20-year mitigation plan that would reduce the need for vessels to go to anchor.

To put it simple, Canada's long-term vision for shipping should not include freighter anchorages and their related industrial activities in the trust area.

The trust council at its September 2018 meeting made the following public statement:

Islands Trust Council calls upon the federal government to take all measures possible to reduce, and ultimately eliminate, the use of the 33 commercial freighter anchorage sites throughout the Southern Gulf Islands collectively referred to by Transport Canada as the South Coast of British Columbia.

We are committed to continue to work constructively with you and industry to resolve these issues. As a region of significant biodiversity and unique beauty, its protection has been recognized as a provincial interest. It has to be in the national interest.

I ask for your attention to these important matters in your review.

I thank you for hearing me today. If you have any questions, I'd be happy to answer.

● (1740)

The Chair: Thank you very much.

We appreciate you coming out.

Go ahead, Mr. Hardie.

Mr. Ken Hardie: Actually, I have it on my list to ask some of the ports people and I didn't get that chance. I'm glad that you brought it up. It's one of those about whether we are the victims of our own success in terms of attracting international trade, both in and out, I suppose.

A lot of the effort that we put in today, and in fact earlier this week in the Niagara region, was to talk about the gaps and the lack of, if you like, connected planning.

The port of Vancouver itself, especially Burrard Inlet and the areas that would obviously affect the anchorages that you're talking about, are going to be at capacity. There's not an awful lot more you can do in there without some amazingly large investments whereby the laws of diminishing returns are thoroughly broken.

Have you thought about options like the port of Nanaimo or even the port of Alberni or the port of Squamish, where facilities exist that may be underutilized and where we could divert some of these vessels, obviously with the appropriate supply chains to give them what they need?

Mr. Peter Luckham: Thank you for your comments.

Certainly we are interested in looking at solutions. There has been lots of conversation about some of the utilization of other ports, specifically around the port of Nanaimo, which is in our area as well. We would be interested in the conversation. Obviously, you would need to have that conversation with those other ports.

The primary concern here is that a parking lot in the southern Gulf Islands, which is proposed as a potential national park area through the national marine conservation area program, seems inappropriate for the use that is presently being undertaken.

I grant you, the solution is not easy. We're not asking for this to end immediately, but we want to see some vision and plan to mitigate and ultimately eliminate these vessels from a place that seems so very inappropriate to us who live there.

Mr. Ken Hardie: Are these mainly bulk ships?

Mr. Peter Luckham: They are coal ships, actually.

In the last six months, the implementation of the interim protocol agreement, which you might be familiar with, put into place, through the OPP program, the oceans protection plan, a method of analyzing the anchorages' information. Cowichan Bay got the bulk of the coal ships over the last many years. Now those coal ships are also being distributed.

It's bulk ships and coal ships, as well as some other materials. It's hard for me to identify all of the ships and what the materials are.

Through the interim protocol process that data is being collected, so there should be some analysis available on that.

• (1745)

Mr. Ken Hardie: Most of the coal, I presume, comes out of Deltaport.

Mr. Peter Luckham: That's correct.

Mr. Ken Hardie: Do you have any sense as to why those ships wouldn't be moved in and out fairly quickly? That's a pretty massive port. They usually have a pretty good supply of coal on hand.

Mr. Peter Luckham: Sir, that is a brilliant question. It is something that none of us knows the answer to among the six different anchorage groups based on community interest, including Plumper Sound, Cowichan Bay, Trincomali Channel, Stuart Channel, and Gabriola Island. That's a good question. I don't know the answer to that. It is a significant number of vessels anchoring for a significant number of days.

I do know that in the last month there was a little anomaly. There was a failure of some mechanical device at the south terminal there, so there were vessels that were actually redirected and then anchored. That added more vessels to what is already a problem.

Mr. Ken Hardie: We'll have a chance to ask that question, actually, because we'll spend some time at Deltaport tomorrow.

Mr. Peter Luckham: Perfect.

Mr. Ken Hardie: I suppose it would be counterproductive to talk about shore-supplied power. You don't want the anchorages there, period. Is that pretty much it?

Mr. Peter Luckham: Yes, that is the ultimate solution. There would be no vessel anchorages other than those that require safe harbour or emergency anchorage in the event of a situation that's beyond the control of the ship's master. We accept and acknowledge that there's a necessity for that.

I would say that over the years that this activity has been going on, and in all the time that I've lived on Thetis Island, which is some 30 years now, it has been tolerated, and to some extent understood, that it is in the national interest. The number of vessels, the length of stay, and now the much greater awareness of the potential impacts that are happening from these vessels has raised awareness to the point where people simply want them to go away.

In the broader picture, I don't think it's an unreasonable request. If there's a necessity to service these vessels in terms of exporting goods from this country, which is for all of our benefit, then we need to have a better way to handle the vessels. They sometimes anchor for not just days at a time but weeks at a time, and even, in some situations, months.

Mr. Ken Hardie: It's quite an expensive proposition.

I am concerned about your comments on the gypsum transfer. It seems to be falling outside of anybody's jurisdiction, perhaps with the exception of the Coast Guard.

Mr. Peter Luckham: I think "oversight" is the word that I probably used. I think CFL is the company that operates that; I might be wrong. They have been operating that there for many years. My father used to live on Pender Island, and he used to complain about it. That's at least 25 years ago.

In those days, it was simply transferring gypsum from a barge into a vessel on a conveyer belt. You couldn't see the other island across the channel for the amount of dust and debris in the air.

Mr. Ken Hardie: Is that still the case?

Mr. Peter Luckham: No. That has changed dramatically in the last, let's say, five or 10 years. The company that is engaged in that business has built a new ship that significantly reduces the amount of dust.

However, the most disturbing piece of this is that it's happening in Plumper Sound, which is outside of radar surveillance or other kinds of observation of the vessel. It operates at night. If you can imagine with me for a moment, the ship comes in and drops the anchor to a lot of din as the anchor chain goes over the side. The tugs come in, the barges come in. They connect up all the equipment, and they start transferring the gypsum onto these vessels with a lot of noise, in essentially a residential neighbourhood—right offshore.

You can well imagine that's disturbing for people. There are bright lights associated with that, so it's illuminated the entire time. It happens all night and is gone in the morning. You can imagine that those bright lights and that noise not only affect the residents of the area, but also potentially the wildlife—the birds and other animals that have their habitat in the seas there.

• (1750)

The Chair: Go ahead, Monsieur Aubin.

[*Translation*]

Mr. Robert Aubin: Thank you for being with us.

I am very concerned with this question. I also asked it this morning of representatives from the Vancouver Fraser Port Authority. As a possible solution, they told me that it had to be done through two measures: first, a gain in productivity in loading and unloading ships at the port itself, and then significant investment in infrastructure to be able to do more and to do it faster.

This may resemble a virtuous circle, but I fear that, the day these two goals are achieved—a gain in productivity and investments in infrastructure—ship traffic will increase. In fact, it would then be possible to handle a greater proportion of goods.

Is there also a problem regarding ship traffic?

[*English*]

Mr. Peter Luckham: I'll address your second question first, because indeed there are lots of questions and concerns about how the vessels travel through the Salish Sea.

They come in through the bottom end of the Gulf Islands and travel all the way up almost to Nanaimo, in what are very narrow bodies of water or small channels.

As a scuba diver, I do a lot of diving around the Gulf Islands. There are an awful lot of shoals and rocks that are in very close proximity to the transit of these vessels. There are suggestions that these vessels represent navigation hazards because they're slow-moving, although some people think they move too fast. Also, there are kayakers, other vessels, fishing equipment and gear, commercial fishers and all that sort of stuff. There are concerns about navigation.

Also, in the event of human error or mechanical failure, there are concerns about what the opportunities would be for that vessel to recover. I acknowledge that the pilotage authority has very professional masters in charge of the vessels when they're transiting, but the concern is that if there's a mechanical or human error that causes a ship to lose power or propulsion in any way, there might be risks amongst the islands.

With regard to your first question, you are absolutely right. That's why we have asked for a 20-year vision, a mitigation plan. I think we need to upgrade the infrastructure and the capacity of the port to handle these vessels in a different way.

There are some suggestions about what they refer to as "go to buoy", so that a vessel in English Bay, for instance, could go to a mooring buoy, tie up, potentially have some servicing as a function of that, but also increase the density of the vessels that are directly available to the port. That would then minimize the number of transits that a vessel needs to do from the Gulf Islands anchorages to the port. It would simply have to go from the port to English Bay, and then it would be gone.

Also, one of the other issues that is ongoing, which may change over time, is that some of these vessels carry different cargoes. They come into the port, into the terminal, to get one particular grain or material and load that, and then they go back out to the anchorage until the next product is available and then return again, so there are quite a number of transits that happen in some situations.

Certainly if you increase the capacity—human nature seems to be that you would want to increase the demand and deliver more product—I think that's where we need to have a much better long-term plan for shipping out of the port of Vancouver.

[Translation]

Mr. Robert Aubin: Thank you.

Mr. Peter Luckham: Thank you.

[English]

The Chair: Mr. Badawey is next.

Mr. Vance Badawey: My first question, not knowing the area as well as you do or maybe Ken does, is this: what is the zoning of the land that's been affected by the operations—I'll use that word—you're speaking of?

Mr. Peter Luckham: For the most part, it's rural-residential.

Mr. Vance Badawey: It's rural-residential, on land. With that said, any industrial or light industrial activities would have to go through an official plan review or rezoning and all that fun stuff you otherwise have to go through to then operate in that area.

● (1755)

Mr. Peter Luckham: You are correct. What's significant here is that the Islands Trust is also zoned. The use is permissible on the surface of the water or on the sea floor. There's lots of conversation about who owns what part—the sea floor, the water column, or the surface—but we have zoning for the most part throughout the Islands Trust area that actually does not permit commercial vessel anchorages.

Mr. Vance Badawey: I'm not sure what jurisdiction that would hold, in terms of who is responsible. I won't go there and I'll let that

be for now, but I would assume that any activity on the water would be the responsibility of the Department of Fisheries and Oceans, meaning the federal government, bottom line.

I'm trying to get to a solution or a recommendation for you on what steps to take so that you can get some resolution to this. What that may be is, one, to get the municipality involved with an argument to the federal government that in fact this activity is not conducive with the adjacent land, simply because the adjacent land is not industrial, and that therefore the use should be moved to an area that is conducive to what's on the land vis-à-vis being industrial in nature and therefore aligns with the area. Yes, it's still going to have noise. Yes, it's still going to have gypsum and nighttime activity; however, because the land is zoned for that kind of activity and the expectation is to have that type of activity in that zoning, then it would be more appropriate to have that happen there, versus where you're at.

I'm just trying to give you some recommendations on what direction to take, versus leaving here and getting no satisfaction. That might be something you want to consider. The municipality goes to bat with respect to the zoning of the land, meaning no activity on the water, which makes it not conducive and moves it down the way where it's more conducive and it aligns with the zoning of those particular jurisdictions.

Mr. Peter Luckham: I can't thank you enough for those comments. We don't actually have a municipality. The Islands Trust is the agency that has the authority.

Mr. Vance Badawey: It's whoever it may be.

Mr. Peter Luckham: That is us, and we have been on that path for some time, and indeed there is question around the jurisdiction. I can't say definitively what the solution is, but we believe there is a solution there somewhere that is actually associated with either the Canada Shipping Act or the Marine Transportation Security Act.

Mr. Vance Badawey: It's a grey area, because it is happening in the water. I know, being in my former life a municipal representative and on the water, that there were activities with gypsum and other things that we ran into, and quite frankly we did have some success with the federal government—probably the last three federal governments—with those activities being mitigated to some extent, and with that we had some resolution to it. Although you still have a few people who aren't happy with how it was resolved, we have 95% resolution to it.

I'm just trying to help you out in terms of what direction to take. If you happen to be the entity that deals with that, I'm not sure who your member of Parliament is, but you might want to get them involved and then go from there.

Mr. Peter Luckham: We're actually meeting on Friday with the two members of Parliament from our area, Sheila Malcolmson and Alistair MacGregor. Indeed, I've met with the Minister of Transport as well, Marc Garneau, to bring this issue to his attention. Your comments are exactly right; this use is incompatible with the upland zoning.

Thank you.

The Chair: Mr. Hardie is next.

Mr. Ken Hardie: The other question is, all right, if not in your backyard, where?

I used to live Squamish. You know Howe Sound; there's the old mill site....

Mr. Peter Luckham: Yes, Woodfibre.

Mr. Ken Hardie: Woodfibre, Port Mellon.... Britannia could be developed, I suppose. I wouldn't want to put it off Lions Bay. Even with Rafe Mair's passing, there would still be a lot of cranky people there.

Seriously, though, if they went someplace else to avoid being tagged as a beggar-thy-neighbour kind of person, where do you think they could go that might be a lot more acceptable?

Mr. Peter Luckham: I think it would be inappropriate for me to hazard a guess on a neighbouring community where they might go, but I will say that the islands in Howe Sound are within the Islands Trust area, so I certainly don't want them there either.

I would also suggest that actually very few vessels anchor in that area, because it is I guess potentially more treacherous than even the southern Gulf Islands. In fact, there are a lot of concerns about the LNG plant, which is now going in at Woodfibre, in that those LNG vessels will be transiting there. I think the likelihood of these ships going up in that direction is slim to none.

What you suggested was whether the port authorities that exist should be taking some of that capacity. In reflecting upon your

question earlier, I know that obviously one of the issues is getting the raw product from Vancouver to island-based ports, which would be problematic in itself, because there would have to be some rail component that got over to Vancouver Island and then got out to Port Alberni, for instance.

In terms of where they would go, we don't know the answer. We're looking to the government to find solutions, and I think that ultimately the port authority, if it has the capacity to handle a certain amount of goods, is in fact no different from a grocery store or a clothing store that is required to have parking for its customers, and we don't consider the Gulf Islands appropriate parking.

● (1800)

The Chair: Nobody's going to really disagree with what you've just said, Mr. Luckham.

Are there any other comments?

Thank you very much for coming and for sharing that information and your concerns with the committee. That's what this is all about.

Mr. Peter Luckham: Thank you for your time. Thank you very much for the very insightful questions, and I appreciate the advice. We look forward to the outcome report of your review.

The Chair: Thank you.

Not seeing any further discussion or comments, I will adjourn the meeting for today.

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