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Chair: Mr. Peter Schiefke



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• (1105)

[*Translation*]

The Chair (Mr. Peter Schiefke (Vaudreuil—Soulanges, Lib.)): I call this meeting to order.

Welcome to meeting No. 12 of the House of Commons Standing Transport, Infrastructure and Communities. Pursuant to Standing Order 108(2) and the motion adopted by the committee on Monday, January 31, 2022, the committee is meeting to study the State of Canada's Supply Chain.

Today's meeting is taking place in a hybrid format, pursuant to the House Order of November 25, 2021. Members are attending in person in the room and remotely using the Zoom application.

Per the directive of the Board of Internal Economy on March 10, 2022, all those attending the meeting in person must wear a mask, except for Members who are at their place during proceedings.

[*English*]

I would like to take a few moments to clarify some things for our witnesses.

First, please wait until I recognize you by name before speaking. To those participating by video conference, click on the microphone icon to activate your mike, and please mute yourself when you're not speaking.

For interpretation for those on Zoom, you have the choice, at the bottom of your screen, of the floor in both languages, or English or French. For those in the room, you can use the earpiece and select the desired channel. I would remind you that all comments should be addressed through the chair.

Finally, to ensure that members are provided with the time they have been allocated to ask questions and hear testimony, when the allocated time is up, I will interject to let them know and let you know. I encourage you to hold your thoughts, if you do get cut off, until the same member or another member addresses the same theme or question.

Appearing before the committee, we have, from the Association of Canadian Port Authorities, Daniel-Robert Gooch, president and chief executive officer, and Debbie Murray, senior director of policy and regulatory affairs. From the Canadian Airports Council, we have Monette Pasher, interim president. From the Chemistry Industry Association of Canada, we have Bob Masterson, president and chief executive officer—it's good to see you again, Bob—and Kara Edwards, director of transportation. From GCT Global Container Terminals Inc., we have Marko Dekovic, vice-president of public

affairs. From the Seafarers' International Union of Canada, we have Chris Given, director of government relations. From the Shipping Federation of Canada, we have Karen Kancens, vice-president.

Witnesses, on behalf of all members, I would like to welcome you and thank you in advance for your time and your testimony today.

We will begin with opening remarks. I invite the Association of Canadian Port Authorities to begin. You have five minutes.

I turn the mike over to you.

• (1110)

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

I want to begin by acknowledging that I'm joining you from the traditional territory of the Algonquin Anishinabe peoples.

[*Translation*]

Ladies and gentlemen of the committee, thank you for the opportunity to meet with you today as part of your study on the state of Canada's supply chain.

My name is Daniel-Robert Gooch and I have been in the role of president and CEO of the Association of Canadian Port Authorities for just under two months.

I am accompanied by Debbie Murray, who is our senior director of policy and regulatory affairs who will support me with some of your questions.

[*English*]

ACPA represents all 17 of Canada's port authorities, including our largest ports like Vancouver and Halifax, but also many smaller ports like Port Alberni and Saguenay. While they are all very different and face different challenges, they are all looking to the future and the investments needed to meet Canada's trade objectives while contributing in positive ways to the communities they serve and operating in financially, socially and environmentally sustainable manners.

Tomorrow, seaports across the Americas commemorate Western Hemisphere Ports Day to recognize the role of ports in the hemisphere's maritime industry and economic prosperity. This year, we are focusing on the role of ports in COVID-19 global pandemic response and recovery, so your study is very timely.

ACPA would like to commend Transport Minister Alhabra and his colleagues in cabinet for the government's attention to Canada's supply chains. The national supply chain summit in January was a robust discussion on the supply challenges Canada faces today and may soon face. We support this work.

The role of supply chains in the everyday lives of Canadians and the health of our export sectors has never been more prominent than it has been these past two years. Canada's port authorities have managed relatively well through the global disruptions we've seen in other parts of the world, but it is not guaranteed that we will be able to manage as well in the future. Our port authorities are fully committed to doing the work needed to ensure that we have adequate exporting capacity for the years ahead while also participating fully in Canada's commitments on climate change through decarbonization and innovative ways to improve the efficiency of our ports and supply chains.

Ton for ton, marine transport has the lowest greenhouse gas emissions, and our ports are improving on that. We have several recommendations on ways to improve supply chains in order to promote supply chain and navigation corridor resiliency, decarbonization and trade facilitation.

I want to talk first about empowering our ports. While the federal government has a role to play in providing financial support, which I'll speak to in a moment, having greater financial flexibilities for our port authorities would allow many of them to privately finance investments rather than relying solely on federal funding. This would require structural changes by the federal government to permit risk-based access to private sources of capital and acceleration of major infrastructure project completion.

For example, most port authorities have borrowing limits set decades ago, which are now insufficient to allow them to raise the capital needed for many of our port infrastructure needs. Amending borrowing limits must be simpler and quicker. We'd also like to see the lending criteria for ports be determined by commercial lenders, as is the case for other infrastructure businesses to access capital.

Other recommendations include providing continued national trade corridor funding to support supply chain efficiency, capacity, innovation and resilience, and filling the gap in what Canadian port authorities can fund themselves within the current regulatory framework and economic realities that each faces. Our port authorities have received about \$880 million in NTCF funding. This valuable funding is allowing ports to make investments in new technology, such as at the port of Vancouver; to improve container inspection efficiency; to build new container facilities, such as the one in Halifax; to reduce border inspection turnaround times and to reduce port congestion. NTCF funding is helping smaller ports with ongoing maintenance needs and economic opportunities. Low volumes and revenues make self-funding challenging. There's more need here, and the Canada Infrastructure Bank may be able to help if we can get smaller projects to be eligible for that bank.

We need quicker approval of projects that have gone through appropriate impact assessment consultation. Ports and their partners in communities have invested significant resources into the project approval process. If ports are to optimize their role in supply chains, infrastructure projects must be approved in a timely manner. We encourage dedicated funding for decarbonization and the energy transition. This is a big need across our supply chains, and ACPA recommends creating a new fund or a specific stream within NTCF.

Finally, Canada has become a signatory of the Clydebank Declaration for Green Shipping Corridors, and we applaud that. This is an important recognition of the role of ports in decarbonization, and our port authorities are keen to support it, but we urge the federal government to scale up the support to port authorities across Canada.

In closing, Canada's port authorities are looking to the future, to how we can emerge and prosper after COVID-19. Recovery is an opportunity to transition Canada into a leadership role in green, inclusive, digital and resilient port supply chains. The recovery will require trade and global connections to build wealth. Our port authorities will be central to facilitating our country's sustainable recovery.

• (1115)

Thank you. I look forward to your questions.

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

Now we'll go to Ms. Pasher.

The floor is yours. You have five minutes for your opening remarks.

Ms. Monette Pasher (Interim President, Canadian Airports Council): Mr. Chair and members of the committee, on behalf of the Canadian Airports Council, thank you for this opportunity to join you today. I'm pleased to speak to our sector's views on supply chain resiliency, a critical file that has become intensely important over the last several months, including for our sector.

We are encouraged by the interest of parliamentarians in ensuring that Canada's supply chains are resilient and effective, so that Canadian families can count on access to goods like food, medicine and other critical supplies needed for their daily lives. For our part, we see opportunities for strengthening our current approach to better handle disruptions and to stay competitive.

The Canadian Airport Council represents more than a hundred airports across the country. Our members handle virtually all of our nation's air cargo and international passenger traffic, and 90% of domestic passenger traffic from coast to coast. Prior to the pandemic, Canada's airport sector saw over 160 million passengers and employed more than 200,000 people.

As members of the committee know, the pandemic has had an enormous impact on our sector, primarily due to the steep drop in passenger volume, which is our main source of revenue. The pandemic has also put into perspective the important role that our airports play in Canada's supply chains. As e-commerce has climbed and the importance of parcel volumes has risen as a share of shipped goods, airports have played a growing role as key transit hubs in a web of global supply chains. Our airports are not only transit points for dedicated cargo aircraft, but passenger flights carry an important share of cargo in their bellies as well.

To illustrate further, excluding trade with the U.S., prepandemic almost 25% of Canada's imports and exports were shipped by air. What's more, 80% of our cross-border e-commerce is transported by air. Express air freight, pharmaceutical and health products, and food and beverages are three categories of goods which rely on air cargo for a substantial amount of transportation due to their shipping requirements.

As such, based on the trends, we project that our sector will continue to play a growing and important role in supply chains. This means a range of measures will need to be considered to protect those channels and support their effective growth and resiliency so that Canada's interconnected gateways will effectively get Canadians what they need.

For our sector's part, there are a set of key recommendations that we would like to highlight today.

The first point is infrastructure. We recommend the continued re-capitalization of the national trade corridors fund, and providing funding for on-site infrastructure investment and ground access improvements. For air cargo, it will be essential to conduct active forward planning on the use of industrial land and roads around our country's most significant logistic zones, which include airports.

We also need to modernize our current foreign trade zones to create real free trade zones that will move Canada forward in its competitiveness and attraction of business. Canada's current FTZ offering is confusing, not competitive, and an administrative burden with minimal benefit. This does require legislation.

With the disruptions experienced in our supply chains, Canada has an opportunity to reap the benefits, but we need to reduce the paperwork and the red tape and create one common digital technology platform to move and clear goods. We need to make it more seamless for companies and shippers to want to move goods through Canada. Navigating a myriad of different legal frameworks

and requirements is more challenging in a heavily paper-based environment and fragmented system.

All-cargo seventh freedom rights are also in need of review. ICAO has been encouraging a wider adoption of seventh freedom rights to foster greater resiliency in the global supply chain. For us, doing so would create a greater opportunity for trade with the U.S. and an ongoing key source of revenue for our country.

Another key element is protecting and developing Canada's labour pool. We will continue to need drivers, pilots, warehouse workers and beyond. Increasing access to training and long-term career opportunities could be a possible measure to ensure that these workers will be available to sustain Canada's needs.

• (1120)

I hope this gives the committee members a helpful snapshot of the role that airports play in Canada's supply chain.

That concludes my remarks. I look forward to the discussion.

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

Next, we have Mr. Masterson, from the Chemistry Industry Association of Canada.

Mr. Masterson, the floor is yours. You have five minutes for your opening remarks.

Mr. Bob Masterson (President and Chief Executive Officer, Chemistry Industry Association of Canada): Thank you, Chair Schiefke. It's nice to see you again. It has been a while.

I am joined today by Kara Edwards, our director of transportation.

Canada's chemistry industry is the third-largest manufacturing sector in the country and the second-largest rail shipper. Every day, we ship 550 railcars—that's over 4,000 cars a week—and we do that 52 weeks a year. Our industry continues to be robust globally and, in the last couple of years, we're finally seeing some signs that Canada might participate in the surge of new investments taking place in the sector.

Right now, we're tracking over 10 global-scale chemistry investments in Alberta and Quebec. Each and every one of those is premised as net-zero carbon from day one, and each and every one of those is intended to serve not only Canadian markets, but primarily global markets.

Here's the thing: We have challenges already. We have critical transportation infrastructure that is deeply constrained at existing volumes, so we have to call on you, as the committee and as the government, to take intentional and meaningful steps to grow our transportation infrastructure to ensure that these new products that the world needs so much—and that Canada will benefit from producing—can reach their intended customers.

We also have to take a longer-term perspective from time to time. Canada has an objective of having 100 million people by the end of the century, which is 500,000 new Canadians a year. I think of that number all the time: 100 million people. The rail and transportation infrastructure we have today is already constrained, so you have an enormous job ahead of you to convince government and Canadians of what needs to be done to fundamentally allow our critical infrastructure to grow to meet the needs of this growing economy.

Our supply chain and transportation network is critical to achieving those objectives, both for our industry and for the economy across the nation. The system has to be safe, it has to be resilient, it has to be competitive and, my goodness, most important of all, it has to be much more reliable than it is today. That's not currently the case.

We poll our members regularly about their transportation needs and experiences. Today, 76% of our members—again, we're the third-largest sector in the country—note that their operations have been negatively impacted by the various supply chain disruptions over the last 24 months. That's a big number. I'll add another piece, since I talk about this often: 55% of our members have told us that they've lost sales in Canada and abroad due to the disruptions in the rail transportation service.

You've heard this already, as folks have talked about it, but we definitely need to make sure the national trade corridors funding gets where it's intended to go and grows commensurate with the needs of the growing population and economy. It's very important to help improve the resiliency of our rail transportation network in particular.

We have several other recommendations in our submission. In the interest of time, I'll leave those for now, but I do want to talk about a couple of them very briefly.

Over the last decade, we have seen severe rail network disruptions on a nearly annual basis, whether they're work stoppages, blockades, lockouts or weather events. They're too numerous to mention. That even includes actual strikes—and remember, in leading up to a strike, an industry like ours will be blockaded. You will not be allowed to ship. You'll be embargoed. You will not even be able to put the cars on the rails if you think a strike or lockout is coming, because some of these goods are dangerous and can't just sit on a siding somewhere.

Moreover, at the end of a disruption, at the end of a strike, it can take weeks to return the system to normal fluidity. These disruptions are important. They cost billions in lost sales and have tarnished our reputation as a reliable supplier.

The most important recommendation we would make to you is to look at finding a way to ensure that we can avoid rail labour dis-

ruptures. Every week we're disrupted means \$532 million in delayed or missed sales. I'll point out that in the United States, they have not had such a disruption for a hundred years. Their Railway Labor Act ensures better outcomes for everyone. We would encourage this committee to look very carefully at that experience in the U.S.

Thank you, Mr. Chair, for this opportunity. We look forward to your questions on our many other recommendations.

● (1125)

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

Next we have Mr. Dekovic, from GCT Global Container Terminals Incorporated.

The floor is yours. You have five minutes for your opening remarks.

Mr. Marko Dekovic (Vice-President, Public Affairs, GCT Global Container Terminals Inc.): Good morning, Mr. Chair and members of the committee. Thank you for the invitation to be with you today as you continue this important study on the supply chains.

My name is Marko Dekovic, and I'm the vice-president of public affairs with GCT Global Container Terminals. I'm speaking to you from the traditional and treaty territories of the Coast Salish people in British Columbia.

GCT is headquartered in Vancouver and operates two container terminals. GCT Vanterm, with a capacity of about 850,000 TEUs, is located in Burrard Inlet in downtown Vancouver. The other terminal is GCT Deltaport, at Roberts Bank near the city of Delta, with a current capacity of 2.4 million TEUs. This is currently Canada's largest container terminal, but Prince Rupert's Fairview terminal is quickly catching up to us. We are anchor tenants of the Vancouver Fraser Port Authority.

GCT is a majority Canadian-owned company, with three institutional investor shareholders: Ontario Teachers' Pension Plan, British Columbia Investment Management Corporation, and IFM Investors. Our shareholders are long-term, experienced infrastructure investors, committed to world growth of trade infrastructure in Canada and abroad.

As a result of our history, dating back to 1907, and our experience in the marine transportation sector, we are uniquely positioned to provide input to your committee on this study, which is focused on how to strengthen Canada's supply chain.

First, with regard to the effects of the pandemic and climate change on the supply chain, there can be no doubt that the last two years have brought a series of major disruptions to the overall logistics network, be that from rapid contraction as manufacturing and ports in Asia went into shutdown, or the extreme bounceback as things started opening up and consumers shifted their demands.

Canada is not immune to global supply chain challenges. We have seen them materialize in manufacturing, trucking, raw material supply and inland storage and distribution. Moreover, the extreme weather in B.C., namely devastating flooding and forest fires, furthered the problem of the closing of rail lines, resulting in back-up of cargo ships at anchorages in the Port of Vancouver. The impacts are disruptions across the supply chain, increases in shipping costs, and longer delivery times.

However, it is important to note that container capacity at the marine terminals of Canada's west coast has not been a contributing factor. There is plenty of container terminal capacity in the system. In fact, Canada's Pacific gateway has done an exceptional job of handling pandemic-driven surges, thanks to a history of incremental, smart, market-driven investments by terminal operators and industry collaboration, such as data sharing, truck reservations and others, all supported by the hard work of essential supply chain workers.

As such, the supply chain challenges we have witnessed point to a need to solve a broader issue—building resiliency to ensure reliable operations at port terminals across the country and avoid more climate-related impacts and disruptions within supply chains. Our recommendation is that the government should invest in off-terminal, common-user, trade-enabling infrastructure that drives resiliency. The supply chain is only as strong as our weakest link. As we have experienced, having one road and rail corridor going through Canada's Rockies, which can be washed away due to climate change, is clearly a gap that government needs to address.

On the second focus of the study, the current state of container transport in Canada, it is important to note again that west coast container terminal capacity has not been a contributing factor to supply chain challenges. The fact is that Canada has container terminal capacity available to meet current and future demands. At present, there are over one million TEUs of excess capacity in the system, which does not even take into account the additional 1.2 million TEUs currently under construction that will be online in the next three years, both in Prince Rupert and in Vancouver. While Canada's west coast may eventually need additional container terminal capacity, forecasts show that it will be well into the 2030s, not in 2025, as some have suggested.

The recently released Vancouver Fraser Port Authority container traffic report reported a 2% decrease in laden or full TEU volumes, and a massive increase in empty container exports. This indicates that there is an imbalance in the supply chain. Furthermore, the port has also reported a 9% decrease in container vessel traffic into 2021, indicating that more volume is being moved by fewer and larger ships. This confirms what GCT and other terminal operators have been saying all along: The upsizing of the vessels and the consolidation of ocean carriers do not require building more terminal ports; rather, we need more supporting infrastructure that will keep the velocity of cargo volumes moving per each visit.

Related, then, is that the Vancouver Fraser Port Authority's Roberts Bank terminal 2 project is a solution to a problem that does not exist. RBT2 will essentially provide more parking spaces for fewer cars coming to the parking lot. The port authority needs to reflect on its core mandate and what it can actually do to help address supply chain challenges in collaboration with the industry.

As we continue on the path of postpandemic recovery, our recommendation would be that the federal government examine the business case, needs and requirements for container terminal capacity expansions on Canada's west coast, given the current market realities and well before any significant project-related decisions by government agencies are made. We believe that this would be an important undertaking in the context of the ports modernization review, which is reaching its conclusion, hopefully, this year.

• (1130)

I want to thank the committee for the opportunity to present today. I look forward to answering your questions.

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

Next we have Mr. Given, from the Seafarers' International Union of Canada.

Mr. Given, you have five minutes. The floor is yours.

Mr. Chris Given (Director, Government Relations, Seafarers' International Union of Canada): Thank you, Chair and committee members, for taking the time to hear from us today.

My name is Chris Given and I'm the director of government relations for the Seafarers' International Union of Canada. The SIU represents thousands of Canadian and permanent-resident seafarers working on board all types of Canadian-flagged vessels operating from coast to coast to coast.

We're very pleased to be with you today to speak to the state of Canada's supply chain.

The domestic marine shipping sector and Canadian seafarers play a critical role in supporting and maintaining Canada's supply chains. In the St. Lawrence Seaway and the Great Lakes alone, Canadian vessels deliver more than 230 million metric tons of cargo, worth over \$100 billion annually. These vessels deliver cargo such as iron ore, road salt, petroleum products, stone and cement, and agricultural products for domestic and overseas consumption. North American farmers, steel producers, construction firms, food manufacturers, power generators and Canadian households all depend on marine shipping.

The COVID-19 pandemic has had significant impacts on mariners throughout the world. Through the pandemic, seafarers engaged in international trade have endured great hardship, as thousands of workers were stuck on board vessels for up to 20 months and denied shore leave and access to medical care in many countries. Although the domestic workforce was spared some of the more terrible conditions endured by international seafarers, the situation has not been easy.

When we speak about “building back better”, we must ensure that present and future plans respect workers' rights and enshrine workers' health and safety. We're proud to say, as an industry, that domestic marine shipping has continued without any major stoppages throughout the pandemic. Industry and labour have done well to work together to ensure that vessels continue to operate and deliver for Canadians.

Of significant importance to the domestic shipping industry—both labour and ship owners—are the regulations of the Coasting Trade Act, which dictate that all domestic transportation of goods and passengers must be done on Canadian-flagged vessels using Canadian crews. The COVID-19 pandemic has largely drawn attention to the fact that having a dedicated domestic fleet of vessels and a capable and well-trained workforce is critical to maintaining our supply chain security. This segment of the industry, known as cabotage, has largely been spared from the supply chain backlogs and setbacks experienced in the international shipping sector. This is something that has been seen throughout the world during the pandemic, and many countries are refocusing efforts to ensure that they have sufficient capacity for domestically owned and operated fleets to be able to transport goods and passengers.

As the committee examines solutions to make the supply chain more resilient, we strongly advocate that cabotage and the domestic shipping sector can play a vital role in alleviating some of the congestion issues that become increasingly problematic. For example, short-sea shipping—moving goods via ships over short distances—can act as a complementary segment to road and rail. While large international vessels deposit containerized goods in major coastwise ports, very few of these containers are moved further inland or through the seaway via smaller vessels or tug and barge. There are opportunities there to capitalize on one of the most underutilized supply chain infrastructures in Canada: the seaway system itself.

As one seaway-sized vessel is capable of carrying the same cargo load as approximately 300 railcars, or almost 1,000 trucks, the use of Canadian vessels to alleviate container congestion is a safe and sustainable alternative. This has already been done successfully in the Arctic, where numerous Canadian shipping companies operate the annual Arctic sealift, providing a once-per-season delivery of

critical goods, much of it containerized, to communities throughout Canada's Arctic regions.

In addition to addressing the need for resiliency, marine shipping can help Canada meet its needs to reduce harmful emissions and address sustainability issues in the supply chain. Domestic shipowners have invested over \$4 billion over the last decade to refurbish and build new domestic vessels that use the latest engine and fuel technologies, giving marine shipping the ability to boast the lowest emissions per tonne moved by mode of transportation.

As indicated in the very recently released 2030 emissions reduction plan, the Government of Canada also plans to focus on the use of ammonia as another marine fuel alternative. This can only further improve emissions reductions in this sector.

In summary, Canada boasts some of the most technologically advanced and lowest-emission vessels in the world. They are owned and operated by well-established Canadian shipping companies willing to invest in additional tonnage and capacity. They are crewed by Canadian and permanent-resident seafarers, who are among the best trained and most knowledgeable mariners in the world, with continued access to leading training providers at Canada's marine schools and training facilities.

As part of the committee's work, we encourage you to look at ways to strengthen this segment of the supply chain and take this opportunity to increase jobs and investment in the domestic shipping sector using Canadian-flagged vessels and Canadian workers.

Thank you very much for the opportunity to speak to you today. I look forward to your questions later.

● (1135)

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

Next we have Karen Kancens, from the Shipping Federation of Canada.

Ms. Kancens, the floor is yours. You have five minutes for your opening remarks.

Ms. Karen Kancens (Vice-President, Shipping Federation of Canada): Thank you very much.

It's a pleasure to be here today.

I'm Karen Kancens, vice-president of the Shipping Federation of Canada. We're the national association that represents owners, operators and agents of ocean ships that carry Canada's imports and exports to and from world markets.

Our members' ships load and unload cargo at ports all across Canada. They carry everything from containerized consumer and manufactured goods to dry bulk commodities like grain and iron ore, liquid bulks like crude oil and oil products, and project cargoes such as heavy machinery and industrial parts. These ships, which are all ocean-going and foreign-flagged, carry virtually all of Canada's international seaborne trade, and they play an essential role in connecting Canada's importers and exporters to customers throughout the world.

Although we all tend to view Canada's supply chain challenges through our own particular lens, I think we can all agree that the system has been under tremendous stress over the last two years. I think we can also agree that a lot of that stress has been precipitated by two key factors. First we had the global lockdowns and worker shortages created by the COVID pandemic, and then the resulting and unprecedented surge in demand for imported consumer goods, most of which arrive in North America on board container ships from Asia.

These events have wreaked havoc on our transportation system—and I'm talking internationally here—by causing everything from chronic congestion and slow turnaround times at ports and terminals to shortages of vessel space and equipment and delays at many touchpoints along the inland transportation system, including on the truck, rail and warehousing sides. Although we're still facing those pressures, we're confident that these conditions will eventually subside, especially as COVID-19 transitions from pandemic to endemic status, and as the current level of demand for imported goods returns to more normal levels.

One thing we often hear is that the current state of the supply chain has been nothing but good news for container carriers, and that their ability to enter into alliances and other types of collaborative agreements is one of the main factors that have made container shipping capacity so scarce and profits so high. According to that line of thought, Canada should provide for greater regulation of the container sector, mainly by prohibiting shipping lines from entering into such agreements altogether.

That action would do very little to resolve any of the bottlenecks, delays or pricing issues that supply chain stakeholders are currently facing and, indeed, could potentially disincentivize some carriers from serving the Canadian market altogether. Operational agreements between container lines are essential components of the global service network, and most carriers rely on them to offset the extremely high capital costs of operating in the container shipping market.

Under these agreements, partners agree to share vessel space and operational resources, which allows them to offer regular service across a wider range of ports on larger and more efficient vessels than would be possible if they were all operating individually. About 80% of the world's container shipping services are provided through some form of operational agreements, and I can't overstate

their role in ensuring the availability of stable, cost-effective transportation services for the movement of the world's trade.

If focusing on shipping alliances is, in our view, a kind of misguided response to addressing our current challenges, what kinds of actions should we be taking to strengthen our supply chain and especially its ability to weather future shocks and disruptions? I would suggest that we need to focus on three key factors: infrastructure, digitization and capacity.

First, we need a national coordinated approach to infrastructure investment, one that's linked to Canada's trade growth and trade diversification agenda, supported by clear objectives for approved projects and clear metrics for measuring success.

Second, we need a national supply chain digitization strategy that focuses on connecting the digital platforms that ports and other stakeholders have already built and leveraging the resulting benefits to optimize the performance of the system as a whole.

• (1140)

Finally, and perhaps more importantly, we need to find ways of temporarily injecting more capacity into our transportation system in response to specific needs. Among other things, this could mean making better use of underutilized trade corridors, simplifying reporting requirements when ships need to change their ports of call, or removing regulatory barriers that make it difficult to use all available assets in a given situation.

We think it's this combination of long-term strategies and short-term solutions that represents the best means of positioning our supply chain for success, whatever the future holds.

I will stop there and I am very happy to answer any questions.

Thank you.

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

I've been informed by the clerk that there is a chance that you haven't selected your microphone yet in Zoom. Before we proceed to any questioning, we want to make sure that you are able to do that. If you could confirm that, it would be helpful.

Ms. Karen Kancens: I'm not sure what that means.

The Chair: Mr. Clerk, do you want to jump in quickly and guide Ms. Kancens through the process?

The Clerk of the Committee (Mr. Michael MacPherson): Sure.

On the bottom left, you should have a little microphone icon, and next to that will be a little arrow. When you select that, it should give you various choices to select. We want you to make sure you are selecting your headset under the heading “select a microphone”. Make sure you have whatever headset you have there selected.

The Chair: That's perfect. Thank you very much, Ms. Kancens.

To begin the line of questioning today for our witnesses, we have Ms. Marilyn Gladu.

Ms. Gladu, the floor is yours. You have six minutes.

Ms. Marilyn Gladu (Sarnia—Lambton, CPC): Thank you, Chair.

Thank you to our witnesses for their excellent testimony today.

I'm going to start with my friend, Bob Masterson. I heard your discussion about the disruptions of rail service and what we need to do. Do you think we should deem rail service an essential service, following the pattern of the U.S., going instantly to binding arbitration?

Mr. Bob Masterson: We do. We talk a lot about regulatory harmonization with the United States, and this would be a good place to look, but I have a slight correction. The U.S. does not go first to binding arbitration. The first thing is that the two parties table their demands and needs. There is discussion among them, just as in Canada. If they are unable to get to a shared outcome, they go to mediation. If that doesn't work, then they are asked if they wish to go to binding arbitration. If they choose not to do that, there is a cooling-off period. They are given more time to think about their positions. They are given enhanced mediation and, ultimately, given a chance yet again to come back to binding arbitration. If they fail to do that, parties could still strike. Parties could still lock out others, but by that time, there has been so much work done that this would be a very rare outcome.

Again, the legislation has been in place in some shape or form since 1926, and we don't see the types of annual rail disruptions that we have here. It's in neither party's interest to either lock out or strike by the time you get to that—

Ms. Marilyn Gladu: Very good. Thank you so much.

I'm going to Ms. Pasher now on a question about airports. If we look at the increase in the freight we are seeing, we need to do something to get some capacity. In Sarnia, the airport is not utilized anymore. We have free trade zone status and, of course, we're nicely located, close to the U.S.

Do you see that as being the kind of opportunity that you were talking about to get that expanded capacity?

• (1145)

Ms. Monette Pasher: Yes. Throughout the pandemic.... We need to remember that 60% of our goods were moved through belly cargo. It was a tremendous challenge throughout the pandemic, when we saw a lot of our passenger service eliminated during that time. It will start to build back. We've seen air carriers move to freighters.

In terms of our FTZs, we don't have a competitive setup right now for them. It's an administrative burden. It's barely creating positive impacts for companies to come here and value-add to products. It's just too cumbersome. We need to look at other jurisdictions, like Singapore, Hong Kong and China, where this is done properly, because we can create a lot of jobs for Canada.

Ms. Marilyn Gladu: I have two questions for you, Mr. Dekovic. You mentioned the change that we need to make to off-terminal infrastructure. I'm interested to know more about that, and then a shift or an idea to take trucks off the road in favour of marine to reduce emissions.

I'm interested in what you have to say on those two things.

Mr. Marko Dekovic: To the first question, we're recommending that investments be made in the off-terminal common-user infrastructure. As was noted, during extreme climate events, be it flooding or fires, or rail blockades, like those earlier in 2020, the entire gateway on the west coast, in particular the Port of Vancouver, gets cut off. You could have seven new terminals built in the Port of Vancouver, and each one of them would be cut off if the infrastructure coming to it, road and rail, was not enabled or didn't have resilience.

That is something key, and it's where we feel there's a gap. That is where government should be playing a.... The private sector will always invest in a place where rail meets tidewater and road meets tidewater, as has been the case. The British Columbia marine terminals have a long and successful history of expansions and private sector investments.

Your second question was around short-sea shipping. I believe that was a comment from one of the other presenters, but I can comment on it, in fact, as we are advancing our incremental expansion at the GCT Deltaport terminal in the Deltaport berth four expansion project. In that project, we've incorporated the optionality to have a short-sea shipping berth, which could be utilized to move containers by barge in the local regional area, likely up and down the Fraser River, should short-sea shipping terminals be developed along the river.

Of course, moving up to a thousand or so TEUs via barge up and down the river could potentially eliminate a thousand or more container truck movements in an already congested Lower Mainland road network, in addition to obviously reducing emissions.

Ms. Marilyn Gladu: Excellent.

Mr. Gooch, what do you think the federal government needs to do to ensure that we have the capacity to grow in terms of infrastructure, automation and the CBSA role?

Mr. Daniel-Robert Gooch: Thank you, Mr. Chair. I'm happy to respond.

There's a lot involved, as mentioned in your laundry list, which is one of the reasons that we've been calling, and supporting the calls of others, for a national supply chain strategy. Key to that is identifying, nurturing and promoting key dedicated trade corridors—for example, this tremendous marine highway that we have with the Great Lakes and the St. Lawrence system.

In terms of investing for capacity, certainly this is very important to Canada's port authorities in terms of both physical capacity and virtual capacity, which you get by investing in technology and innovation. That improves the efficiency of the capacity you have.

I'd say there are a couple of factors—

The Chair: Thank you very much, Mr. Gooch. You're going to have to save that for the next round of questioning.

Mr. Badawey, the floor is yours. You have six minutes.

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

I want to thank the witnesses for attending this meeting.

I heard in testimony today trade objectives. I heard ports recovery. I heard attention to supply chains, navigation corridor resiliency and leveraging risk-based access to private sources of capital.

Ladies and gentlemen, I guess the context of my question will be this: redundancy; investing in strategic multimodal trade corridors; ports modernization; integrating distribution data; digital logistics; further additional economic potential throughout the Great Lakes and the St. Lawrence Seaway, such as the Welland Canal in my area; the importance of supply chain infrastructure investments; asset management; recapitalization of the NTCF; and finally, amending the port authorities—I would assume, Mr. Gooch, it's the letters patent—with respect to including the ability to leverage risk-based access to private sources of capital, again leveraging the NTCF.

By the way, I'm very interested in the NTCF. It brings in the private money that leverages the money we're putting out through the NTCF. I will concentrate on that point.

Mr. Given and Mr. Gooch, is it your recommendation that the NTCF, the national trade corridors fund, should concentrate on supply chain resiliency, supporting fluidity and reliable trade flows? With that question being asked, be specific in terms of what some of those investments should in fact be.

I'll start with you, Mr. Given, and then Mr. Gooch will have an opportunity to answer that question.

• (1150)

Mr. Chris Given: Thank you, Chair, and, through you, thank you to the member.

I think it's an excellent question. Thank you, Mr. Badawey.

As you know, the SIU has a very large presence in the Niagara region, so we are very interested in expanding the infrastructure investment along the Welland Canal in particular and in what can be done with some of the lands that our government owned in that area. The SIU has been involved in discussions with the Hamilton-Oshawa Port Authority on developing lands and looking at what can be done from a multimodal standpoint.

When you look at the Niagara region, I think the tie-in with the rail lines and the access to such a large market via the Great Lakes are really important for marine shipping. As for the ways in which we can take advantage of some of those opportunities, I think you could look at some of the vacant land that's along the Seaway as a potential container depot, where you could have some of that short-sea shipping, removing some of the congestion off the highways and the rail lines, as well as moving containers into that region, which can then be trucked or moved via vessel down into some of the larger markets in the U.S.

There's plenty of opportunity there, and we would definitely be in favour of further investment.

Mr. Vance Badawey: Thank you, Mr. Given.

Go ahead, Mr. Gooch.

Mr. Daniel-Robert Gooch: Thank you, Mr. Chair.

Thank you for your question, Mr. Badawey. A lot of what you've asked about is in the report you referenced last week, which was done by the committee in 2019. There's a lot in there that's certainly worth looking at.

I'll speak to a couple of areas.

On financial flexibility, certainly, as you noted, there are borrowing limits that were set decades ago, and ports are dealing with amending those. It involves amending letters patent, which can be a very time-consuming process. We would like to see that improved and sped up. Ideally, ports would be able to access capital in the ways that other providers of infrastructure are—such as airports, for example. I used to work with our nation's airports, and they work with lenders in terms of the normal criteria for risk that a private lender would look at.

The national trade corridors fund, I think, has been a fantastic program for Canada's port authorities. They have received about \$880 million through that fund so far. It is allowing for those investments in capacity that Ms. Gladu has referenced. They are investing in innovation, including in virtual capacity. When we're processing containers more efficiently through border inspections using technology, for example, that's good for everybody. It's good for efficiency, for promoting smooth trade flows, but also in terms of the environmental side. Efficiency improvements are good on the environmental side as well.

There's another need at our ports, I'd say, and in particular at our smaller ports. They need to make investments just in maintaining their critical infrastructure, and certainly the NTCF has a role to play there, either through continued NTC funding—which as a program we would like to see be made permanent—or, alternatively, through a special fund to promote those investments in ongoing maintenance that smaller ports need but that they may not be able to fund through their own revenues, for example.

Mr. Vance Badawey: Thank you, Mr. Gooch.

Just to drill down a bit deeper, we see that the NTCF has had many mandates in the past few years with respect to what it was gearing its funding to. Do you find that investments in supply chains would be a direction that the NTCF should be taking?

• (1155)

Mr. Daniel-Robert Gooch: I would say that it is absolutely in line with the objectives of the program. The program is trying to meet many needs. With \$880 million going into projects for our ports, I would say that our ports are being recognized by the program. Certainly, anything that can improve supply chain resiliency and the investments that ports need to make in terms of dealing with climate change, to adapt to climate change, which also affects resiliency and redundancy.... Those are all great investments for the national trade corridors program—

Mr. Vance Badawey: Thank you, Mr. Gooch. I'm sorry, but I have limited time here.

With that, there is the ability for ports, for example, to leverage the dollars that you would otherwise get out of that fund.

Mr. Daniel-Robert Gooch: Absolutely.

Mr. Vance Badawey: Lastly, I'll say this before my time is up: I would encourage all of you to get involved with the supply chain task force.

Thank you, Mr. Chair. I had to sneak that one in there.

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

As a former chair, he knows how to sneak one in at the last second.

[*Translation*]

Mr. Barsalou-Duval, you have six minutes.

Mr. Xavier Barsalou-Duval (Pierre-Boucher—Les Patriotes—Verchères, BQ): Thank you, Chair.

The testimonies we have heard so far are very interesting. Many issues have been raised, including the supply chain problems Canada is currently experiencing. More specifically, it is hard to get merchandise that various businesses need. This problem is connected to container shipping and port facilities.

I would like ACPA representatives to comment on potential solutions. I will mention a few.

Some believe we should consider expanding existing port facilities and others are of the opinion that perhaps we should increase the number of these facilities. There currently are not that many. The solution might be to improve efficiency at existing facilities. Solutions may vary from one port to another.

Do these solutions make sense? Which would be the most appropriate?

The Chair: Mr. Barsalou-Duval, are these questions addressed to anyone in particular?

Mr. Xavier Barsalou-Duval: My question is for Mr. Gooch from the Association of Canadian Port Authorities.

Mr. Daniel-Robert Gooch: Thank you for the question.

I will respond in English if you do not mind.

[*English*]

The answer is really all of the above. There are investments needed in physical ports' capacity, and ports are pursuing those in a variety of ways. There's also technology and innovation.

Canada's port authorities are very innovative. They recognize that through adoption of technologies like artificial intelligence, we can improve the visibility of our supply chains to see where goods and shipments are coming from, where they're going and when they're going to be in a certain place, so that all of the various pieces in our supply chain can move more smoothly. Those technological investments, among other things, can help with capacity in a virtual manner.

I think, Mr. Barsalou-Duval, it's all of the above in terms of the comments you made. There are a variety of ways in which we can ensure that both the capacity and the resilience our system needs are in place for the years ahead, and that these investments are made in environmentally and socially sustainable ways.

[*Translation*]

Mr. Xavier Barsalou-Duval: If I understand correctly, you believe that the solutions I proposed are possible, but none of them are a silver bullet.

I would like to move on to something else. The idea of expanding the facilities or even building new ones often encounters opposition, maybe from communities who live in the targeted region or from environmental groups, who maintain that such solutions could have repercussions on the fauna and flora and thereby affect species at risk.

Is there a specific solution among the ones I mentioned that seems more sustainable than another or may have the least possible repercussions?

• (1200)

[*English*]

Mr. Daniel-Robert Gooch: I think one of the reasons why we are calling for a national strategy on the supply chain, and marine components within that, is that there are so many stakeholders in our communities who have an interest in the outcome of where we go with our investments. There's so much riding on our getting it right in terms of the impact on the environment, but also in ensuring that we have the long-term needs for Canada.

A proper supply chain strategy would look at how all those pieces work together. Certainly our 17 port authorities—these are businesses that are operating federal assets at arm's length—are doing so for the benefit of Canada, for the benefit of the communities they serve. They are tremendously aligned with the federal government's goals on climate change and the environment and are certainly working through all of the processes that are in place, such as the impact assessment processes, in terms of all the physical investments they're looking to make in their communities, because they do understand that what ports do has a tremendous impact on the community and on the local natural environment.

[*Translation*]

Mr. Xavier Barsalou-Duval: One of your recommendations is to change the imposed borrowing limits so that you are not always required to go through the government approval process.

If your application were accepted, how would the mechanism work? For example, how would the limit be established or how would the debt control mechanism work?

How would this allow you to move forward with certain plans without having to go through the entire government approval process, except for certain major projects? Would this allow you to speed up the launch of other projects?

In short, how would this work?

[*English*]

Mr. Daniel-Robert Gooch: Particularly for large projects, our ports today have borrowing limits that are set in letters patent. My understanding is that the process for changing that is very time-consuming and lengthy.

One approach would be to improve that process. An alternative is to move away from arbitrary lending limits and move to where ports are able to work with private lenders based on financial risk and—

The Chair: Thank you very much, Mr. Gooch. I'm sorry to have to do that to you once again.

Next, we have Mr. Bachrach.

You have six minutes. The floor is yours.

Mr. Taylor Bachrach (Skeena—Bulkley Valley, NDP): Thank you very much, Mr. Chair.

Thanks to all of our witnesses for what has been an interesting discussion so far.

I want to pull back a little bit and ask a high-level question. This study is a very interesting one because the supply chain is so com-

plex. It has so many different players and each of those players brings a unique piece to the table. In many ways, I think we could have been having this discussion five years ago and it might have had some similar aspects to it.

Something has happened over the past two years, and particularly over the past year, that has changed the discussion and has made people acutely aware of the supply chain. I don't think many Canadians had ever heard the term “supply chain” until the past number of months. Now, all of a sudden, it seems like we have a major problem that needs addressing.

My question is really about risk and looking forward at the coming five or 10 years. What do our witnesses here today perceive as being the greatest source of risk to the Canadian supply chain? We've heard of lots of sources of risk, but if you could put your finger on the single biggest source of risk to Canada's supply chain in the coming decades, what would it be?

Perhaps I'll start with Mr. Gooch from the port authorities. When the ports talk about risk in the longer-term future, what's the biggest one that comes to the fore?

Mr. Daniel-Robert Gooch: Thank you for the question. It is an interesting one.

From my perspective, two months in, there seem to be a few. One would be the risk of delaying getting the capacity that is needed for the near future and the long term. Infrastructure investments do not happen overnight, particularly major infrastructure investments of the nature that Canada's port authorities are making. Environmental impact assessments can add lengthy delays. We need to ensure that we are prepared for the opportunities when they arise, so that we're able to take advantage of them in a timely manner. That means investing years ahead.

There are lots of impediments, which I spoke to earlier, in terms of the financial flexibility that ports have to be able to make those investments themselves and working with private lenders. The national trade corridors fund has helped tremendously.

Resiliency and redundancy are another big challenge. We saw the disruptions in Vancouver. We need to ensure that our ports themselves are resilient, but also that our system is resilient so we can adapt to major weather events. It's not just a west coast challenge. Another example is the east coast. There's just a narrow bit of land that connects the peninsula that is Nova Scotia with the rest of the country. That's where our goods from the port of Halifax go across to the rest of the country.

It's about ensuring that capacity is there for the future and that we have a resilient system with lots of redundancies built in to ensure that we're able to get through whatever the planet and the world throw at us.

• (1205)

The Chair: Mr. Bachrach, before you continue with your questioning—and I'll be sure to stop the time while you're doing this—can you select your microphone, please?

Mr. Taylor Bachrach: Definitely.

Is that better?

The Chair: That's perfect. I'll restart your time.

You have three minutes left.

Mr. Taylor Bachrach: I'm tempted to ask that question of some of the other witnesses. I'll maybe ask it of Mr. Dekovic.

When you think about risks to Canada's supply chain in the decades to come, what rises to the top? I'm thinking particularly of external risks that threaten our supply chain.

Mr. Marko Dekovic: Thank you for that question.

It's simply to do with the resiliency of the pipe, road and rail, or the gateway corridor, if you want to call it that. That would be the number one risk.

If you look at investments that are happening.... In the Port of Prince Rupert, the Dubai Ports World terminal operator there is working hand in hand with the port authority and making investments. If you look at the Port of Vancouver, be it in the grain sector or the breakbulk sector, and the container terminals such as ourselves, they are making significant investments. That is not where the risk is. There is no risk that the private sector is not going to invest in capacity.

However, if next year there's another flood or another fire, what have we done to ensure that all those investments in terminal operators that have occurred on the west coast...can continue to provide services to the supply chain? It is that risk. How do we build additional road, rail and gateway pipe, if you will, for the supply chain to reach the west coast? That is the number one risk.

Mr. Taylor Bachrach: Thanks for that. It's a great segue into my next question.

You're familiar, of course, with the plans in Prince Rupert to expand the port's capacity. It's an exciting phase for them. They've seen tremendous growth over the years.

Could you explain how investing in alternative ports—and you touched on it a little bit—builds redundancy, and how it can alleviate some of the pressures we see when there are major events that cut off access?

Mr. Marko Dekovic: It's a great question.

Prince Rupert, as you noted, is making investments with their container terminal operator. You have us, here in Vancouver, building our Deltaport berth as an expansion project to add capacity.

Ports and port terminals will be ready, but the question is how we get goods to them, and is one redundant over the other? With regard to Prince Rupert and Prince Rupert container terminals, we saw that when there were challenges in the Lower Mainland, some cargoes did move there. However, ultimately Prince Rupert has a slightly different offering. There is no two-million-plus local market up in Prince Rupert. It's a great gateway port that is serviced by one rail line.

Again, we should be looking at that, as well as the resiliency of Prince Rupert for Vancouver. Should it have more rail capacity and

more diversity of offerings there to truly be a backup for the Vancouver gateway?

The Chair: Thank you very much, Mr. Dekovic and Mr. Bachrach.

Next we have Mr. Jeneroux.

The floor is yours. You have five minutes.

• (1210)

Mr. Matt Jeneroux (Edmonton Riverbend, CPC): Thank you, Mr. Chair.

It's good to see a lot of familiar faces here again, particularly Mr. Gooch and Mr. Dekovic. I'll focus some of my questions to you guys.

We're seeing a lot of supply chain issues facing the housing market when it comes to supplies and materials when we're building homes.

Marko, I look at places like English Bay and a number of those barges out there. They have a variety of materials on them, but they continue to sit there for months and months on end. I understand that a lot of the solutions come from, as we heard last time, artificial intelligence and other high-investment pieces. However, when we're facing the situation we are in right now, I'm hoping that you'll be able to supply us with some supply chain things we can suggest that are more immediate.

I'll probably start with Marko, and then maybe move on to Mr. Gooch. I pick on the Vancouver port; it was brought up that it's the same on both sides of the country, but if we could focus there perhaps to start, it would be helpful.

Mr. Marko Dekovic: Thanks for your question.

I assume you're referring to the barge in English Bay, the barge that beached itself—

Mr. Matt Jeneroux: I mean, other than that barge. That's the one that's seizing everybody's attention, but I mean other than that one barge.

Mr. Marko Dekovic: There are vessels in anchorages in the port of Vancouver that you would see in English Bay. There are a variety of vessels, mostly bulk ships. There are some container ships. I really can't comment much on the bulk carriers, but on the container ships, yes, there are about a dozen or so vessels that are backed up across all terminals.

There are four container terminals in Vancouver, as you know. Two are operated by GCT, our company, and two by Dubai Ports World.

We're catching up, working away as the rail velocity starts picking up. Really, that has been the challenge. The reason the vessels are backed up in anchorages is that the velocity of rail has been a challenge since the fires, and then the subsequent floods. It is picking up. We're working very closely with our rail supply chain partners, and we're working on strategies on how to quickly get back to normalcy in the supply chain, but it will take some time. It will probably take another 90 days or so to get there, but there is light at the end of the tunnel.

Mr. Matt Jeneroux: Before we move on to Mr. Gooch, maybe you could comment on that, Marko.

I remember that a few years back, when we were there as a committee, you provided a wonderful opportunity for us to see it firsthand. There were some real trucking issues with a real backlog. Is that less of a factor now? You speak to rail. Is that on top of the trucking concerns that were there in the past?

Mr. Marko Dekovic: In my opinion, local drayage issues have been solved, largely due to the collaboration between provincial and federal authorities. We have, for a while now, implemented a truck reservation system. There are also payments made by terminal operators to trucking operators if we take too long to process. Those are all innovations that don't exist in other ports. We operate two terminals in the port of New York and New Jersey. In New York and New Jersey, there is no truck reservation system. There are no financial incentives for terminal operators to move trucks to the gates.

We're seeing some emergency reservations in L.A. Long Beach, but it's still a long way away from how our terminals operate in Canada. There are no night gates either. We've been operating night gates for trucking, as the demand requires, for a while, probably since 2014 or 2015. Those things are just not occurring in other port complexes across North America, particularly in the U.S.

We have largely addressed those challenges. Probably the only thing we're hearing right now from the trucking community is the rapid increase in the cost of gas and fuel to continue providing the services that truckers do.

Mr. Matt Jeneroux: Great.

I'll go over to you, Mr. Gooch, on some of the immediate solutions that we could suggest as a committee as part of a report after this study.

• (1215)

Mr. Daniel-Robert Gooch: Mr. Dekovic had some great comments on what's going on specific to Vancouver. I'd encourage you to meet with Vancouver in terms of what they're looking at. I know that in addition to their work on the longer-term capacity concerns, they have some immediate concerns around the container capacity available to them and the storage for containers. Industrial lands in the Vancouver area, for example, are a big concern for them.

Really, I wouldn't want to get into too many of the Vancouver-specific issues, given my newness in the organization. They're much better at speaking for themselves than I am on their behalf.

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

Thank you very much, Mr. Jeneroux.

Next we have Mr. Iacono.

Mr. Iacono, the floor is yours. You have five minutes.

[*Translation*]

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

Greetings to everyone. The topic we are discussing is very interesting.

Mr. Gooch or Ms. Murray, can you talk to us about the climate emergencies we saw on the west coast last year and the repercussions they had on the port system?

What lessons were learned from these events?

Mr. Daniel-Robert Gooch: I can start to answer that question.

[*English*]

Mr. Angelo Iacono: If you're comfortable in English, go ahead.

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

I don't feel I can speak to what specifically was happening in Vancouver. I think the biggest lesson we can take away from that, however, is that we do need to plan for more events like this. I know the word that's been used a lot here is "resiliency". That's really a key word for us in terms of what we're talking about. It's resiliency for the individual ports, but also for our system, so that when there are disruptions, we have alternatives and places where we can move goods by sea or other modes of transportation.

There are so many players involved, as we see around the table. You had the study last week. You have the study today. You could probably have several more sessions, because there are so many different players involved in this. One of the best things you've done is bring everybody together through the national supply chain summit that we had in January. Even within the federal family, we saw how many individuals within cabinet hold a key portion of our supply chain. It's not just Minister Alghabra or Minister Champagne.

We're looking forward, at Canada's port authorities, to see where this work goes next—the work of the task force and the various working groups that stem from that summit.

[*Translation*]

Mr. Angelo Iacono: Thank you, Mr. Gooch.

How was the collaboration between the port authorities, the different levels of government, industry and the other stakeholders during these crises?

What worked and what were the challenges?

[English]

Mr. Daniel-Robert Gooch: I have to say, given that I started in February, I'm really not the best person to weigh in on that, because I was not there. At the time, I was facing challenges with our airports. I could testify on that, but that's not what we're here for today.

Really, I wouldn't feel comfortable answering that, given that I was not here at that time.

Mr. Angelo Iacono: Does anybody else have any response to that?

[Translation]

Since no one can answer my question, I will move on to another topic.

Mr. Gooch, how have the blockades of the past few years affected our ports?

[English]

Mr. Daniel-Robert Gooch: My understanding is that our ports have actually managed much better than could have been expected, and certainly better than other ports in other parts of the world.

When we see major disruptions, it really just highlights the need that ports have identified to do things better, to make those investments in capacity, but also to make investments in other ways beyond physical capacity, to provide better line of sight on what's coming and leaving through the ports.

There was a great example in Montreal, when we had an urgent need to get personal protective equipment into the country to deal with the pandemic. The port, working with different organizations locally, was able to come up with a system fairly quickly to identify where there were products that we needed to get off those ships and get out into the community so that we could do so and fight the pandemic in a timely manner.

What you've seen—and what I've seen in my two short months here—is that our ports are incredibly nimble, incredibly innovative, and very committed to working with our local stakeholders on innovative solutions like that, either to be able to respond in real time to blockages when they're occurring or, ideally, to be able to plan for them so that we can mitigate disruptions as well as possible.

• (1220)

Mr. Angelo Iacono: Can you elaborate on some possible solutions to make our supply chain more efficient and more resilient?

Mr. Daniel-Robert Gooch: I have spoken to the physical investments in capacity. When it takes longer to get containers off ships, you need a place to store those containers. That's why industrial lands are a big preoccupation of several of our ports. There's also the innovation in technology—the greater visibility of what's in our supply chains and what's coming to the ports, whether it be from sea or from land—so that we can plan to get everything moving and keep it moving in a smooth and timely manner.

Mr. Angelo Iacono: One quick question—

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

Thank you, Mr. Iacono.

[Translation]

Mr. Barsalou-Duval, you have two and a half minutes.

Mr. Xavier Barsalou-Duval: Thank you, Chair.

Since the beginning of the pandemic, we have seen several airlines pivot toward cargo operations in order to generate extra income. In the meantime we get the impression that there has been growth in air-shipping.

Is that really the case? Is this change sustainable in the long term? If so, what impact will this change have on infrastructure needs at the airports?

My question is for the representative of the Canadian Airport Council.

[English]

Ms. Monette Pasher: Thank you, Mr. Chair.

Our airports and airline carriers certainly saw a move to freight throughout the pandemic. Our passenger traffic went down 90%. Part of the reason we stayed open was to connect people for essential movement and to move essential goods. We have seen many of our carriers convert their aircraft to freighter, but I think we're going to see more freight traffic moving forward.

Prepandemic, 60% of our goods for air cargo were moved in the belly of the plane, and about 40% were moved by freighter traffic. Throughout COVID, we have seen about 55% freighter traffic. That's a global statistic, so we expect to see more of this moving forward, but also, as we move to building back our air capacity—and we're going to see some improvements in that this summer—hopefully we'll see a lot of our goods moved in the belly of planes again.

I think we will see a shift, but it won't be permanent.

[Translation]

Mr. Xavier Barsalou-Duval: I now have a question for the representatives of the Chemistry Industry Association of Canada.

A lot has been said about the supply problems and lack of products everywhere. Many people have suggested that it might be a good idea to shorten our supply chains, for example by turning to local production.

In the case of the Canadian chemistry industry, could this make sense or be acceptable? Are there opportunities to seize here?

The Chair: Unfortunately, Mr. Barsalou-Duval, your time is up.

Mr. Bachrach, you now have the floor.

[English]

You have two and a half minutes.

Mr. Taylor Bachrach: Thank you very much, Mr. Chair.

I would like to direct my next questions to Mr. Given. You spoke a bit at the beginning about the impact on workers in your sector that occurred at the beginning of the pandemic, mostly, in terms of workers being stuck on ships.

Could you expand on that and speak a bit to what role the federal government could have played to alleviate some of those conditions that your workers faced?

• (1225)

Mr. Chris Given: I guess I need to differentiate between the domestic workforce and the international workforce, because the worst conditions were endured by international seafarers engaged in global shipping.

I'm an elected representative with the International Transport Workers' Federation based in London, which has an inspectorate around the world that inspects foreign-flag ships when they come into various ports. There are three of those inspectors in Canada.

What occurred when the pandemic came about was.... The maximum allowable under the ILO Maritime Labour Convention for a term on board a ship is 11 months. Because of the pandemic and the various lockdowns that occurred at the beginning, there was an extension of contracts that was agreeable and understandable for a short term, but those extensions ended up going to 17, 18, and up to 20 months, where seafarers were not allowed to get off ships to be repatriated. Not only were they not allowed to be repatriated, but the majority of flag states—countries and ports—refused to allow foreign seafarers to engage in shore leaves and get off their vessels. Many weren't able to access medical services in countries because of lockdowns, so the conditions were really hard.

Here in Canada, our domestic workforce endured a lot of the same, but on a smaller scale. Contracts had to be extended. Terms on board vessels had to be extended and, again, shore leave was denied for many of them.

I have to give credit to Transport Canada and port state control, because they did an effective job at eventually helping those seafarers, especially the foreign seafarers visiting Canadian ports. However, it took too long to get to that stage, so by the time port state control officers were enforcing that maximum period, a lot of these seafarers had been on board for 17 or 18 months. They were forced to sign contract extensions, because they had worked as exploited workers in a lot of these circumstances.

It has been a very difficult condition for workers.

Mr. Taylor Bachrach: Thank you, Mr. Given.

Mr. Chair, do I have a few more seconds for another question?

The Chair: You have 35 seconds.

Mr. Taylor Bachrach: Okay, fabulous.

Mr. Given, I was interested in what you said about domestic shipping. My assumption is that right now the different shipping modes exist in a competitive environment and shippers are able to choose the mode that gets the goods to market in the best way possible.

You mentioned the low-carbon nature of domestic shipping. I'm wondering what specific investments the government could make to drive that transition toward domestic shipping and that lower-carbon mode of transport.

Mr. Chris Given: Thank you for the question. I'll try to be very quick.

I know that a lot of investment, and talk about investment, is happening with regard to low-flashpoint fuel, which is using ammonia, LNG and hydrogen as alternative fuel sources because they are lower-emissions fuels. Further investment in that, further study and research, and allowing ships to trial some of these different fuels would be very helpful. It's not just trying the fuels, but ensuring we have the training for our workforce to be able to handle those fuels safely.

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

Thank you, Mr. Bachrach.

Next, we have Mr. Muys.

You have five minutes. The floor is yours.

Mr. Dan Muys (Flamborough—Glanbrook, CPC): Thank you, Mr. Chair.

Thank you to all the witnesses for taking the time today.

We've had a fairly robust discussion on ports. I might come back to that, but I want to turn the attention to the Canadian Airports Council and Ms. Pasher.

In my constituency of Flamborough—Glanbrook, Hamilton International Airport is one of the crown jewels in our economic crown for the region. As I think you know, it is the largest overnight express cargo airport in the country and it's growing. For example, DHL opened a facility a year ago at the Hamilton airport. They had a 15-year plan to expand and evolve into somewhat of a North American hub. They're already at that point a year later. Amazon just opened a facility adjacent to the airport at the end of January. It is one of only two Amazon facilities of that level in the country.

Could you elaborate on what more Transport Canada and the Government of Canada can do to encourage these important cargo hubs as part of our supply chain resiliency?

The Chair: Mr. Muys, I think we might be having a technical difficulty here.

Mr. Clerk, do we still have the witness?

The Clerk: It appears she's frozen. We'll have IT—

The Chair: Mr. Muys, I'm going to give you back the time you've lost.

For the time being, I encourage you to try to ask a question of another witness.

• (1230)

Mr. Dan Muys: Okay, that's fair enough.

I'll back up to the question that Mr. Bachrach just asked of the seafarers' union, which was about his perspective with regard to the environmental benefits of marine transport. Maybe you, and the ports council of Canada as well, can talk more about domestic shipping. That's an opportunity. The Hamilton port is in proximity to my riding. With the steel industry and the agricultural commodities that are shipped, I think there's great opportunity. Mr. Badawey has asked about the national trade corridors fund and there's been a discussion around that.

What more can be done to really encourage short-seas shipping and domestic shipping via these assets we have in our area?

Mr. Chris Given: Thank you, Chair, and thank you to the member for the question.

I'm a workers' representative, but I think I can speak a little on behalf the Canadian shipping companies. I'm sure they would allow me to do so. From our perspective, all of the Canadian shipping companies are very interested in taking up this work. It's work that has not really been tapped into at this point. I'm speaking specifically to containerized shipping. The majority of Canadian shipping is on bulk and breakbulk cargo, which moves a lot of natural resources and petroleum products. Moving consumer goods or containerized goods is an untapped area, and I think there's a lot of potential there.

It's not at all to take away work from the rail or the trucking lines, but to diversify the ability to move goods out of ports. We're hearing a lot about congestion in ports, so it would be useful to look at alternative ways to move some of those goods. There is a lot of opportunity and underdeveloped land along the seaway.

It's not just in Hamilton-Oshawa, as we discussed before, but all along the seaway. There has been a lot of discussion about how to tap into the U.S. Midwest market with Chicago and Cleveland, and to access even the GTA. About 500,000 containers are moved into the GTA every year, but that's done on truck and rail. If we can diversify that a little bit and move more of it via the marine mode, I think that would be beneficial for everybody.

The Chair: Mr. Muys, I can confirm that we have Interim President Pasher back, if you want to re-ask your questions.

Mr. Dan Muys: Thank you. Hopefully the technical difficulties have been figured out.

Hamilton International Airport is located in my constituency. As I think you know, Ms. Pasher, it's the largest overnight express cargo airport in the country. It's certainly growing rapidly. We had DHL locate there about a year ago. They had a 15-year plan to evolve into a North American hub, and they already achieved that one year later. Amazon, as I think you know, just opened a facility at the end of January adjacent to the Hamilton airport, and it's one of only two Amazon facilities of that level in the country.

Maybe you can elaborate on what more Transport Canada can do and what more the Government of Canada can do to seize upon these important cargo hubs as part of our supply chain resiliency.

Ms. Monette Pasher: Yes, Hamilton has seen tremendous growth. It is primarily a freighter airport, and it has had a lot of growth throughout the pandemic. Really, the national trade corridors fund has been helpful in expanding the infrastructure.

I think that what we've seen throughout the pandemic is that, because they've expanded that infrastructure, they were able to grow. We've seen that at other airports throughout the country, such as in Halifax and Edmonton, with projects that were approved years ago and have been under way. Now they have that expanded apron space, and they were able to receive some of these shipments by air cargo to keep our supply chain moving. Air is playing an increasingly important role in getting exports to market and in getting goods into Canada.

What we need to do is keep investing in the national trade corridors fund. Our airports have only seen about 18 projects approved since it was announced in 2017, with just over \$220 million. Much of that was for small airports to pave their runways and things like that. I think we should focus on cargo needs to improve our supply chain for Canada moving forward. Some of our airports have asked for a dedicated air cargo line item in the national trade corridors fund of about \$100 million a year to really move forward and to invest in the future so that our airports are able to play the important role they've been playing throughout the pandemic.

• (1235)

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

Thank you very much, Mr. Muys.

Next we have Mr. Rogers.

Mr. Rogers, the floor is yours for five minutes.

Mr. Churence Rogers (Bonavista—Burin—Trinity, Lib.): Thank you, Mr. Chair.

First of all, thanks to all of our guests for their testimony today. Their knowledge and expertise in their fields are good to hear on this very important and interesting topic.

Mr. Masterson, I have a question for you, one that Mr. Gooch might want to chime in on as well. What role could better data collection and data sharing play in improving our supply chains? Can you give us some examples to illustrate that?

Mr. Bob Masterson: Thank you, Mr. Rogers, for your question.

I'm going to defer to my colleague, Kara Edwards, who can talk especially about the importance of data and information to level the playing field between shippers and rail companies.

Thank you, Kara.

Ms. Kara Edwards (Director, Transportation, Chemistry Industry Association of Canada): It's great to see everybody at committee. Thank you so much.

A lot of information in the system right now is not as transparent as it could be. We'd really like to see the publication of the amendments to the transportation information regulations. In our sector, that would really assist in helping to identify where some of the bottlenecks are. It would really even the playing field and make sure that everybody sees the same thing and uses the same metrics.

With better information, you can make better choices, you can do better benchmarking, and you can have consistent tracking. In our case, we see that there's a really imbalanced relationship between shippers and carriers, so, in addition to making more data available and transparent, we'd also like to see the authority of the Canadian Transportation Agency and the remedies they have improved upon as well.

Regarding the transportation information regulations, we're really interested in seeing the amendments, which we believe will have better geographic and commodity-specific information in them.

Thank you.

Mr. Churence Rogers: I have a follow-up question, but first, Mr. Gooch, do you want to make a comment on that question?

Mr. Daniel-Robert Gooch: Yes, thank you. I don't have a lot to add. I will say that digitalization and better visibility as to what's moving through ports are very important for Canada's port authorities. Certainly, greater knowledge about what's going on in the port helps, and knowledge about the routes leading up to and leaving the ports is certainly very valuable for improving the efficiency of operations in our supply chain overall.

Mr. Churence Rogers: Just as a follow-up question, to Mr. Masterson or any of the others, would your organization or member companies in your organization be willing to share proprietary data with the aim of improving the fluidity of our supply chains, and if so, under what conditions? Is there some kind of information you would insist on keeping confidential?

Mr. Bob Masterson: Kara, I'll pass it to you. I have some quick answers, but you get the specifics.

Ms. Kara Edwards: Sure. We'd really need to explore what that would look like. Generally, companies are a little bit hesitant to share information regarding pricing and rates, as well as regarding potentially confidential relationships between their suppliers and their customers.

We'd definitely be open to having that conversation to see what we could do, and we are very supportive of having a more transparent information system within the supply chain.

Mr. Churence Rogers: Thank you.

Mr. Bob Masterson: That said, certainly our industry is always providing information to government, and there are procedures to do that to protect confidential business information. Anything we can provide that will strengthen the transportation system and improve the relationship between the rights of shippers and those of carriers we will gladly provide you under the correct protections for confidential business information. We do it all the time.

Mr. Churence Rogers: Thank you.

I have a question for the Seafarers' group.

Mr. Given, how do you propose to increase the number of mariners in Canada? Are there things we could do short-term to address worker shortages?

● (1240)

Mr. Chris Given: This is an excellent question.

Right now, worker shortages are definitely an issue, but we need to differentiate between the shortages that exist. We have two different classes of employees on vessels: licensed and unlicensed. Licensed employees include officers and engineers, and that's really where we find the shortage.

The situation in Canada is exactly the same as the situation globally. It's actually worse globally. Basically, the international associations have taken a survey of this, and the labour report for last year indicated that there was a shortage of 28,000 officers worldwide and there was a surplus of 30,000 ratings worldwide, which really draws attention to the fact that we have mariners in the system—and it's the same situation in Canada—and we just need to work on training those mariners to occupy those higher ranks and those higher levels. I think that involves working with the companies, but it also involves securing funding for training and different things that we can work on with the government in the future.

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

Thank you very much, Mr. Rogers.

Next we have Ms. Gladu.

Ms. Gladu, the floor is yours. You have five minutes.

Ms. Marilyn Gladu: Thank you, Chair.

I'll start by talking about the bureaucracy. Many of you, when you were talking about what we need to do in the supply chain, mentioned some things. The port mentioned financing, borrowing limits and allowing commercial lenders. Could I ask all of the witnesses, please, to submit specific things that the government needs to do to reduce bureaucracy? If you could submit them to the clerk, then they could be included in our study. That would be really good.

The next question is for Bob Masterson.

You talked about where we have rail constraints. Could you describe a bit more where those constraints are and what solutions you'd like to see?

Mr. Bob Masterson: The question came up earlier, "What about the next five to 10 years?" That's not really the issue. We're trying to attract investments in facilities that need to produce for the next 40 years. I will come back to what I mentioned earlier about Canada's stated population goals. We're talking about two and a half times the population over the next several decades, and two and a half times the economic activity, at least; hopefully, it will be more.

Think of the places where we're struggling now. We were once, and still are, major resource exporters. We process more of it now, but we're still major resource exporters. That was fine when the people in our cities, where our major ports and rail lines were contained, had a stake in that activity. They were direct participants. That's no longer the case.

Picture Vancouver growing two and a half times over the next several decades. Do we really think we're going to move two and a half times the rail freight traffic through there? I don't think so. What about Halifax? I don't think so. What about Montreal? I don't think so. What about Toronto? I don't think so. Again, we would challenge you, or call on you as a committee, to think about Canada's long-term economic and population objectives. Where are we going to put these ports? Where are we going to build the resiliency?

The work we're doing today... There has been a lot of talk today about de-bottlenecking and getting some better efficiencies out of what we have today. Of course, that's terribly important, but we need to make sure that we're going to have the ability to move product out of this country for the next 40 or 50 years. Those are the investments that are being made today.

We think we have to turn our sights away from just focusing on some of these major cities, where we're already seeing the constraints between populations that don't have a tie to this activity and what we're going to need to do today and in the future. Pick any major city, especially the Lower Mainland through to Vancouver. It is terribly constrained when it comes to moving our goods.

Ms. Marilyn Gladu: Thank you.

One idea that was suggested in previous testimony was that we need to develop more international ports from some of the ports that exist. For example, Sarnia—Lambton could be an international port. It's on the Great Lakes waterway. There are numerous other ones. This would help with growth capacity, as well as resiliency on constraints.

Would you agree that this is a good idea?

Mr. Bob Masterson: Is the question directed to me?

Ms. Marilyn Gladu: I'm going to direct this question to you, and then to Mr. Gooch.

Mr. Bob Masterson: There are definitely opportunities. Every customer and every shipper is different. What I would say, again, is that when you think about Canada's chemistry sector, we largely ship in the United States, so enhanced movement across the Great Lakes could be helpful. However, the future is really Asia. Now, with recent issues in Europe, everybody is looking at what the future of Europe looks like, but we're talking about ocean-going.

As a nation, we are less productive when we have to handle things multiple times. We're already hampered, if you think about where much of our industry is in western Canada. We already have to go over the mountains and down to the coast. The more times things are handled, the more costs there are and the less competitive Canadian businesses are.

The answer has to be to focus on the railway system, which moves most of our commodity goods, and the sea-based assets that will help get them to global markets, where the populations are. There's definitely movement in the Great Lakes, but the big picture is the seafaring ports.

● (1245)

Ms. Marilyn Gladu: Very good.

Mr. Gooch, what do you think about this idea of developing more international ports from the ports that exist across the country?

Mr. Daniel-Robert Gooch: We see ports that see opportunities to provide more services. I look to the Great Lakes, for example. The 2019 report by your predecessors in this committee listed greater use of the St. Lawrence Seaway as the number one recommendation. Of course, this entails working with our partners, including our partners within the federal family and CBSA, to ensure that adequate resources are available, both for any ports that want to aspire to receive international traffic and for those existing ports that need those CBSA services as well.

There are opportunities there, but they need to be examined against all of that.

Ms. Marilyn Gladu: Excellent.

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

Thank you very much, Ms. Gladu.

Next we have Ms. Koutrakis.

The floor is yours. You have five minutes.

Ms. Annie Koutrakis (Vimy, Lib.): Thank you, Mr. Chair.

Thank you to all our witnesses for being with us today.

My next questions will be addressed to Mr. Dekovic at GCT.

I understand that the shortage of containers—we have talked about it a lot this morning and this afternoon—is one of the major causes of problems with global supply chains. Do you see this shortage as a temporary problem, or a potentially longer-term structural challenge?

Mr. Marko Dekovic: Thank you for that question.

I would say it's a short-term challenge.

As I mentioned in my testimony, the number of full containers moving out of our ports was down by 2%, but probably there was about a 50% increase in empty containers moving out. That is due to the imbalance in the supply chain. The empty containers are being more rapidly evacuated back to Asia due to the growing consumer demand surge. That kind of volume is being sucked up that way. That will return back to normal as the supply chain normalizes.

On Canada's west coast, we actually have a pretty balanced trade compared to other North American ports, which are much more import ports only. We do export in containers. Our terminals handle exports of lumber, specialty crops and other items, so it's pretty balanced.

I would say it's short-term. We can probably see some stabilization coming later this year in that balance.

Ms. Annie Koutrakis: Do you think manufacturing could be a solution? Is this something that can be done in Canada to address some of this shortage? If so, how long do you think it would take to increase the supply on a scale large enough to address the shortage?

Mr. Marko Dekovic: Are you talking about—

Ms. Annie Koutrakis: If we were to manufacture them in Canada, is that something you think is possible?

Mr. Marko Dekovic: I'm not an expert on container manufacturing, but I would say that, with the time it would take, it would probably be too late. By that time, the system will have normalized itself.

Ms. Annie Koutrakis: Thank you.

My next question is for Mr. Gooch.

[*Translation*]

Mr. Gooch, you have made recommendations on how the national trade corridors fund could be improved to meet the urgent port infrastructure needs and contribute to a more resilient supply chain.

Could you elaborate on your recommendations?

[*English*]

Mr. Daniel-Robert Gooch: Thank you, Mr. Chair.

The NTCF has been a great program. Certainly, \$880 million have gone to our ports through that program.

I think it's really more about where there may be gaps. One of the challenges that have been identified to us is the ability for ports—particularly smaller ports that may not have as much revenue as other ports—to maintain critical infrastructure. Sometimes it's to invest in opportunities that are available, but other times it's just to ensure that the critical infrastructure continues to be there and continues to be available.

We also want to ensure that the NTCF continues to be funded properly. It was great to see an influx of funds in the federal budget last year. We hope to see that continue on an ongoing basis, because there is a tremendous demand for these investments. The program is currently slated, we understand, to sunset around 2028. Certainly we see this as a permanent, ongoing need, so we'd like to see the fund be extended.

Another opportunity would be to look a bit more at decarbonization and whether the channels for funding within that program are sufficient to meet the needs of what our ports and other partners in the port community are trying to do to improve efficiency and contribute to Canada's climate change goals.

• (1250)

Ms. Annie Koutrakis: Thank you.

This question goes out to anyone who has an opinion on this. I know it's a large question, but let's see what you can come up with.

What, in your view, is the single most important recommendation this committee could make in its report?

Maybe Mr. Masterson or Ms. Pasher can respond.

Mr. Bob Masterson: Go ahead, Ms. Pasher. You haven't had much to say. Please go ahead.

Ms. Monette Pasher: Thank you for the question.

I think the biggest thing we could do is to recapitalize and continue to make permanent the national trade corridors fund.

I look at the important role airports have played in the supply chain and will continue to do moving forward. Our airports have taken on \$3 billion in debt, and ultimately we need to manage that debt. This is a Canada competitiveness issue, and we need our partners in the Government of Canada to help us move forward and invest in our infrastructure, which we're going to need to improve the resiliency of our supply chain.

That is probably the biggest way the government could help us move forward in our supply chain.

The Chair: Thank you very much, Ms. Koutrakis, and thank you very much, Ms. Pasher.

[*Translation*]

Mr. Barsalou-Duval, you have two and a half minutes.

Mr. Xavier Barsalou-Duval: Thank you, Chair.

Mr. Masterson, earlier I started to ask a question about the idea of shortening the supply chains, but you did not get a chance to respond. I will ask again.

Could this be a good idea for the Canadian chemistry industry, in terms of securing and stabilizing the supply chains?

[*English*]

Mr. Bob Masterson: Thank you for the question.

It is complex, and it depends on what chemistries or what products you're involved with. Certainly, I think there is an effort to improve the resiliency of supply chains, and those of you in municipalities are going to see a significant demand for industrial lands that are being converted to warehousing to make sure we have.... Let's just say that it's broadly moving away from just-in-time delivery.

If you look at our chemistry industry, again, as the third-largest manufacturer, the truth is that the bulk of that activity, that \$80 billion a year, is commodity exports of very resource-rich, low-carbon assets that the rest of the world doesn't have access to. We're exporting those—60 billion dollars' worth—and we're importing 60 billion dollars' worth of specialized chemicals and other comparable goods. The trade is balanced. We're sending the things that we're good at and that the rest of the world needs, and we're taking back products that typically have a lot more labour involved with them.

I don't think that's going to change, and I think the world and Canada would be harmed if there was an effort to become truly self-sufficient, this notion that we should only make the things we need. The world needs what we make, and we have a duty to get it to them, and in exchange for having all the great trade agreements that Canada has negotiated over the last few decades, we get to take advantage of the things they have that we need.

I'm cautious about saying too much, other than that there's a lot of work under way to improve resiliency, and that's largely moving away from the just-in-time delivery to more warehousing and larger inventories to take care of some of the challenges we've seen in recent months and years.

Others may feel differently.

[*Translation*]

Mr. Xavier Barsalou-Duval: Thank you for your comments, Mr. Masterson.

I now have a question for Mr. Given, from the Seafarers' International Union of Canada.

Mr. Given, in the labour dispute that arose at the port of Montreal not so long ago, one of the main obstacles that complicated the situation was the issue of working hours.

In a context of supply chain problems, how could this aspect have repercussions on maintaining a certain fluidity at the ports and on adopting acceptable working hours for the workers?

The Chair: Mr. Given, unfortunately we do not have time to listen to your answer, but we invite you to share it with us in writing.

Thank you very much, Mr. Barsalou-Duval.

• (1255)

[*English*]

Next we have Mr. Bachrach.

Mr. Bachrach, you have two and a half minutes. The floor is yours.

Mr. Taylor Bachrach: Thank you, Mr. Chair.

Thanks to all our witnesses for what we've heard today.

My last question here is about community impacts, particularly when it comes to the rail sector and rail transport, which is a top concern in the region that I represent. I know we don't have the rail sector represented among our witnesses today, but the rail mode and the marine mode are closely linked, so I think my question is probably for Mr. Gooch from the port authorities.

When we look at Canada's rail system, I think there are some key vulnerabilities, one of them being the fact that the rail lines pass through so many communities. There are so many points of tension. With increased rail traffic, we see those tensions increasing. The other one is that we built the railroad on indigenous land without permission. There are serious and outstanding issues when it comes to the relationship between the rail sector and indigenous people across the country, particularly in western Canada.

Is the federal government investing enough energy in managing those impacts? I think of municipalities here in northwest B.C. I saw that CN just turned down the idea of building a pedestrian overpass in the community of Terrace. I hear from community members in Prince Rupert, where I am today, who are concerned about noise from shunting in the rail yard. All of these concerns increase with increased traffic, so it seems that it would be a key concern for people involved in the supply chain to manage these impacts, yet we see the federal government taking a very hands-off approach to those issues when they come up.

Do you have any comments, Mr. Gooch?

Mr. Daniel-Robert Gooch: I don't know if I can speak to the rail situation, but I know that our ports certainly work very closely with the communities, because they understand that they have an impact on the communities. Many of our ports are right there in the heart of the urban environment. Noise, dust and other factors are a concern of the communities in which our ports are located. They have worked very closely with the communities to mitigate those impacts.

I did a tour of the port of Montreal a couple of weeks ago. I lived in Montreal for many years, and I didn't even realize that the port was right there for much of the south shore of that island. They took us out to areas where they really connect very closely to the community, where they're right up next to the community. There have been investments made into barriers to keep the sound out, and into greenery to mask the visual appearance of the port.

This is the kind of work that our port authorities are doing from coast to coast in terms of working with their communities, as well as working with their indigenous communities, the first nations, in their regions.

The Chair: Thank you very much, Mr. Bachrach, and thank you very much, Mr. Gooch.

Colleagues, given the fact that we started a little late today due to some technical issues, I'm wondering if we have consent from members to sit until approximately 1:07, just to ensure that Mr. Chahal and Ms. Gladu can ask their full range of questions. Do I have unanimous consent from all the members?

Some hon. members: Agreed.

The Chair: Ms. Gladu, the floor is yours. You have five minutes.

Ms. Marilyn Gladu: Thank you, Chair.

I want to pick up on talking about the CBSA. Sarnia—Lambton has a border, and we do hear occasionally that there are issues with not enough inspectors, too much time for an inspection or inadequate training in the ever-changing rules. Is this a consideration in terms of our supply chain resiliency?

Let's start with Mr. Gooch.

Mr. Daniel-Robert Gooch: CBSA is an important partner for our ports. I know that they've been called upon to adjust to rapidly evolving situations over the last couple of years. We want to ensure that there is adequate capacity for all of our ports to do their important work. That includes capacity and the systems in place at our border agency.

I'm more familiar with CBSA from my time on the airport side, where I know they were making tremendous investments into the modernization of the border from a passenger perspective. Certainly, CBSA is an organization that's not afraid of innovation, and we look forward to working with them on what they need in order to provide the service that's so important in all of the communities where that service is needed.

• (1300)

Ms. Marilyn Gladu: I understand, then, that you're not seeing issues there.

Ms. Pasher, could you tell me about the same question with respect to airports and expanding the capacity? Do we have adequate CBSA resources? Are there issues there that the federal government should pay attention to?

Ms. Monette Pasher: I think Daniel touched on that. CBSA has been a great partner and a very innovative one. I think they are looking at ways we can move forward working together, working very closely with industry to digitize our borders so that we can move people through quickly. I think that will help. It will take time, obviously, and regulation tied to that.

In terms of data, I really feel we can work with CBSA and other partners to improve digitization for the supply chain. We need all partners working together. We need more transparency for our data so that we can strategize on how to improve this. We can actually operate like they do in China and in other countries. We can make it

easier for trade and people who want to move goods through Canada. I think there are a lot of opportunities here, and CBSA plays a big role in that as well.

Ms. Marilyn Gladu: Very good.

The same question is for Ms. Edwards from the chemistry association.

Ms. Kara Edwards: I think some of the things we're looking for would be to publish the amendments to the transportation information regulations, to have more remedies for shippers through the CTA, and to continue on with the rail safety improvement program. We're currently using that program to help reach out to communities and to ensure that they're aware of the dangerous goods that move through their area and that they are prepared should there ever be an incident.

I think there are a lot of things being done, and they really need to continue, as well as the national trade corridors. There needs to be a continuation of the good programs that are already there, and having consistency and confidence that those are going to be there for the long term.

Ms. Marilyn Gladu: Thank you.

Mr. Dekovic, you mentioned that we don't have an issue with container shortages in Canada, but I continually hear about supply chain issues due to a lack of containers. What is happening there? Could you help us understand where the bottleneck is and what we need to do about it?

Mr. Marko Dekovic: There is no issue with container terminal capacity or shortage thereof, but as you said, there is a shortage of the physical containers that some Canadian exporters may want to use. The challenge there, as I mentioned, is the extreme consumer demand pressure of the North American market, which is resulting in ocean carriers and exporters from Asia evacuating containers to Asia more rapidly without having had a chance to go into a cycle of the supply chain here, where they may get stuff—be it somewhere in Ontario from a manufacturing facility, somewhere in western Canada with grain products or specialty crops, or British Columbia for lumber.

Because the containers, once they come off the ship, are quickly emptied, returned back to the terminal and evacuated on the next vessel out, there's a shortage of empty containers in the system. As I mentioned, however, in answer to an earlier question, we see that the imbalance is going to start settling down.

The Chair: Thank you very much, Ms. Gladu and Mr. Dekovic.

Our last line of questions come from Mr. Chahal.

Mr. Chahal, you have five minutes. The floor is yours.

Mr. George Chahal (Calgary Skyview, Lib.): Thank you, Chair.

I want to thank everybody for their testimony today.

Ms. Pasher, I want to start with you. You talked a lot about the importance of airports. Calgary International Airport is in my constituency. It brings about \$8 billion of GDP into the local economy. It's very, very important. The national trade corridors fund has been a tremendous help to support the building of the airport trail for our region.

In your testimony, you spoke about how foreign trade zones or free trade zones or corridors are where we need to make improvements, and I believe you specifically mentioned that Singapore and Hong Kong do it well. Could you please elaborate on those comments? What are the opportunities for Canada to make improvements there?

Ms. Monette Pasher: Currently, our foreign trade zones don't provide much benefit, to be honest. They're a cumbersome administrative burden of paperwork without a lot of benefit to our communities in job creation.

If we looked at our foreign trade zones to create actual free trade zones, we would probably see a lot more manufacturing and goods coming in, and people adding value to them and exporting out of Canada. We can create jobs here by creating the right system around free trade zones. We think we need to look at that and what improvements can be made to the current system.

I think there are eight foreign trade zones in Canada now, but there's not much value added, so they're really not providing any benefit. It sounds good, but I think we have a lot of work to do to actually make this a viable program that could help our airports, our communities and Canada.

• (1305)

Mr. George Chahal: You mentioned that Singapore and Hong Kong do it well. What do they do that sits so well with us?

Ms. Monette Pasher: It would be less taxes. Right now, when goods come to Canada.... For example, if you have a chainsaw coming from Germany and you want to add parts to it and then export it from Canada as a Canadian product.... Right now, with the paperwork around that and the value-add taxes that go on it, we're not actually creating value for Canada to do this. They are doing that in Singapore and Hong Kong. I think there are examples out there that we can look at.

We're competing for that business. Right now, with how we're set up, we're not getting the business.

Mr. George Chahal: Thank you.

There has been a lot of talk about supply chain vulnerability and opportunities and challenges. I was reading our report—you may not have seen our briefing document—and it talks about Canadian imports and exports being concentrated through a very small number of hubs. It says that Toronto International Airport, for air imports and exports, is our only international airport for clearance.

What is the impact of that on our country and our supply chain? Why not have an opportunity in western Canada, in Calgary, for example, for that clearance support?

Ms. Monette Pasher: I'm not sure I fully understand the question. Like Daniel Gooch, I am only two months into this interim position. I might be missing a bit of context on this one.

Mr. George Chahal: No problem.

If someone else wants to touch on that specific question on clearance, imports and exports that are concentrated through a few hubs.... Toronto was deemed to be the only one for air imports and exports.

Ms. Monette Pasher: This is certainly not my knowledge. A number of our airports receive goods.

I'm not sure if you're referring to seventh freedom rights.

Mr. George Chahal: I'm just referring back to the briefing document. Maybe I'll follow up with our analysts on that.

Ms. Monette Pasher: I think there are ways to improve, to look at some opportunities. Say you have a carrier from the Middle East and it would take goods to Philadelphia. Then we would have an empty plane coming from Philadelphia, let's say to Halifax, to then pick up lobster and go back to the Middle East. We're missing a piece in our supply chain where a plane is coming from the U.S. to Canada empty.

I think there are improvements that we could make on seventh freedom rights in terms of taking advantage of some of these routes that are in existence now. There are ways we could capitalize on them.

Mr. George Chahal: Mr. Chair, I don't know if I have any more time.

The Chair: That's all the time you have, Mr. Chahal.

Thank you very much.

Mr. George Chahal: Thank you.

The Chair: Witnesses, on behalf of all members, I want to thank you, first, for your patience with some of the technical issues we experienced today, but more importantly, for your valuable testimony on a very important study that we're conducting for all Canadians.

With that, I invite you all to log off, with the exception of my honourable colleagues, whom I want to quickly remind to send to the clerk any drafting instructions they may have for the railway safety study report.

Enjoy the rest of your day, everyone.

This meeting is adjourned.

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