



LOOKING TO THE FUTURE

A Plan for Investing in
Canada's Transportation System

December 2005



THE COUNCIL
OF THE FEDERATION



At the August 2005 meeting of the Council of the Federation in Banff, Alberta, provincial and territorial premiers identified Canada's transportation system as vital to promoting economic growth, international competitiveness and the best standard of living for all Canadians.

Premiers noted that in order for Canada to succeed in the world marketplace, we need to build and maintain a modern transportation system—one that is safe, secure and supportive to the global trading network. First and foremost, such a system requires a strong partnership between governments.

Governments have responsibility for, and invest in, different elements of our nation's transportation system. To gain the greatest benefit from local, provincial and territorial investments, it is essential and appropriate that the federal government make significant contributions.

Recent federal infrastructure programs are contributing to the modernization of international trade corridors, gateways and urban transportation systems. These programs need to be continued and extended. In addition, significantly more and predictable federal investment is urgently required.

This document, *Looking to the Future: A Plan for Investing in Canada's Transportation System*, outlines a national transportation strategy by identifying a strategic network, detailing provincial and territorial priorities, recommending changes to the policy framework, and calling for a new funding partnership with the federal government.

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A SHARED VISION

Canadians share a vision of their transportation system. They want it to be a foundation for economic growth and provide a high quality of life for all Canadians—and they want it to sustain a healthy environment.

Provincial and territorial premiers have developed this comprehensive national transportation strategy and infrastructure investment plan to enhance the overall competitiveness and prosperity of Canada.

This strategy is based on key principles:

- Encouraging economic growth, competitiveness and productivity;
- Encompassing all modes of transportation in a balanced and integrated way;
- Including all provinces and territories and recognizing differing infrastructure needs;
- Improving safety, security and efficiency on corridors serving strategic gateways and key economic nodes;
- Recognizing the strategic role of urban centres and urban transit and eliminating bottlenecks within and between cities;
- Facilitating interprovincial/territorial and international trade and tourist traffic;
- Improving access to strategic transportation components that currently have aging, congested or absent highway connections;
- Promoting innovation and efficiency;
- Being environmentally responsible;
- Protecting Canadian sovereignty, and
- Connecting Canada from coast to coast to coast.





THE OPPORTUNITIES

“Strengthening Canada’s position as a trading nation and enhancing the capacity of our transportation system are priorities for the entire country.”

*Federal Transport Minister Jean Lapierre, October 21, 2005
Pacific Gateway Launch, Vancouver*



Today, the dynamics of global trade are driven by rapid, seamless and secure movements of goods and people around the world in global trading networks.

Building on our geographic advantage, strong economy, abundant resources, and leading expertise, we must seize the opportunities presented by the rapidly growing economies of China, India and other Asia-Pacific countries.

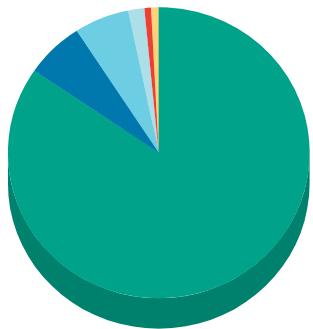


Canada also needs to continue to develop and grow established links with the European Union, NAFTA member nations, South America and on North-South trade corridors with our largest trading partner, the United States. There is the potential for increased productivity through capacity enhancements and optimization of infrastructure, and through necessary rehabilitation and innovative technology.

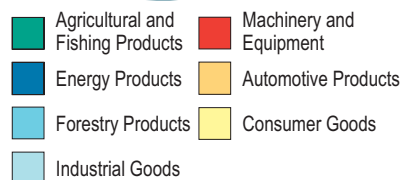
Domestic trade, cultural connections and nation building are all facilitated by a well-functioning integrated transportation network.

CANADA DEPENDS ON TRADE

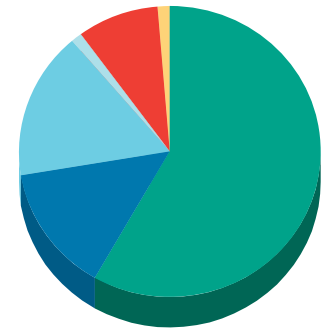
Exports by Country



Exports by Product



Imports by Country



THE CHALLENGES

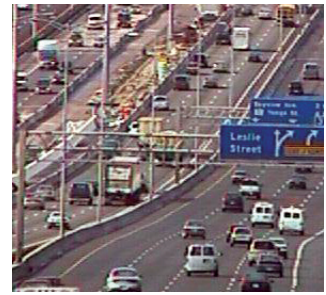
Canada's transportation system faces several significant and complex challenges arising from changes to the economy, the environment, technology, national security, and sovereignty.

Canada is a highly urbanized country and transportation infrastructure in urban centres requires urgent attention. Over 80% of Canadians live in urban centres. Forty-eight per cent of the population lives in the eight largest cities (Toronto, Montreal, Vancouver, Ottawa-Gatineau, Calgary, Edmonton, Winnipeg and Quebec City) where more than 50% of all jobs in the country are located. Congestion in Canada's largest urban centres is adversely affecting the quality of people's lives, environmental standards and the flow of vital trade.

Other areas also have significant infrastructure enhancement needs. Economic activity in rural areas is highly dependent on access to resources and markets through the transportation network. The country's size leaves some remote areas without sufficient infrastructure to connect their regional economies, and considerable natural resource wealth, with the rest of Canada and beyond.

The financial challenge is the overarching challenge because transportation must compete with other priorities for investment, and investments in major transportation infrastructure are costly, and can take years to implement.

Making the most of existing infrastructure and building for the future will require increased investments in gateways, trade corridors, the national highway system, border crossings, rail networks, marine networks, ports, airports, intermodal facilities, major urban roads, and transit. Meeting all of these challenges requires good planning and sustainable funding.





A NATIONAL NETWORK DEFINED

Like any other undertaking in a country as large and diverse as Canada, a national transportation strategy must incorporate national, provincial and territorial perspectives. It must:

- identify a strategic transportation network on the national level and link rural, remote, and northern communities and industries to that network;
- enable the movement of people and goods in densely populated and high volume provinces and territories, as well as in rural and remote areas;
- respect jurisdictions' priorities and be sufficiently flexible to respond to the needs of the provinces and territories;
- enable all provinces and territories to increase their contribution to Canada's export-led growth;
- strengthen partnerships involving governments; and
- factor in the significant role played by the private sector.

An integrated, multi-modal, national network includes the most strategic elements of Canada's transportation system, now and in the future. The table in **Appendix 1** outlines criteria for identifying the strategic components of a multi-modal national transportation system in Canada. Maps 1–6 illustrate this network.

INCLUDING ALL PROVINCES AND TERRITORIES

Each province and territory faces unique transportation challenges that need financial support from the federal government in order to better support and stimulate their economies with improved transportation infrastructure.

For many Aboriginal communities, improved transportation links are necessary to move forward economically.

Appendix 2 provides a brief summary from the provinces and territories that outlines their transportation opportunities, challenges and priorities.

VARYING ROLES AND RESPONSIBILITIES

There are many different types of roles and responsibilities, governance models, and revenue and funding patterns amongst players in the transportation system. Some examples are:

- Class 1 rail lines are owned and operated by two private corporations, Canadian Pacific and Canadian National.
- The country's national airports are managed by independent airport authorities (with the exception of those

in the northern territories). The largest are financially self-supporting from various sales, fees, and rents.

- Air Canada has been privatized, as has the air navigation system now operated by NavCanada.
- 19 ports in six provinces are designated and operated independently by Canada Port Authorities (CPA) with their own sources of revenue and borrowing powers.

These self-supporting private or independently operated strategic transportation facilities do not require direct government funding support for capital projects most of the time. However, they do need policy and legislative changes to facilitate access to the financing required for infrastructure investment. The remaining nationally and regionally significant transportation infrastructure that has little or no opportunity to be financially self-sufficient needs first call on public funding.

The funding challenge is greater still for larger-scale components of the transportation system that are not financially self-supporting, such as highways, urban and inter-regional transit, urban roads, and border crossings and the routes that lead to them. Significant and sustained investments must be made in these vital components of the transportation system if they are to fulfill the economic, social, and environmental expectations that Canadians ascribe to them.

MODERNIZING PUBLIC POLICY

A national transportation strategy also requires a supportive policy and legislative framework. In modernizing our policies and regulations to encourage investment, promote trade, and ensure the seamless and efficient movement of goods and people, we must look to the future and anticipate the changes the system will need to accommodate.

Our competitiveness in the global market and our ability to build strong national, provincial and territorial economies are significantly affected by those policies and regulations that influence transportation infrastructure utilization and investment. Timing, as well as substance, is of vital importance in developing and implementing policy reform that makes a positive difference.

Reduction or elimination of regulatory burdens and harmonization of regulatory processes needs to be constantly on the agenda.

Appendix 3 summarizes the main areas of policy reform to make the most effective use of today's transportation infrastructure and realize the opportunities of tomorrow.





INVESTMENT NEEDS

A comprehensive estimate of the need for investment in Canada's entire transportation infrastructure in the medium or long term has yet to be determined. High level estimates for some key parts of the system are available and they indicate a need for investment that far outstrips current or projected spending by governments.

Canada's cities are economic engines and account for significant investment needs. To ensure a state of good repair and expansion of existing systems in areas having large populations and economic growth, significant investments are needed in urban roads and transit systems.



In 2005 a federal/provincial/territorial task force on urban transportation estimated that infrastructure investment needs for transit in cities across Canada amounts to at least \$23 billion over the next few years. Investment needs for urban roads and bridges is much higher—\$66 billion over 10 years.

As far back as 1998, the Council of Ministers of Transportation estimated that investment needs on the National Highway System were over \$17 billion. Since that time, the NHS has been extended and costs have increased. There are no federal programs to fund these nationally significant highways beyond the current, and set to expire—Strategic Highway Infrastructure Program, Strategic Infrastructure Program, Strategic Infrastructure Fund, and Border Infrastructure Fund.



In 2004, Ontario estimated that transit systems in the province would require an investment of over \$10 billion over the next four years. Over a ten year period this would amount to \$25 billion. In addition, urban roads in the province would require \$27.5 billion in investments over that time period. Investment needs are greater than the province's ability to fund them. New funding partnerships are needed.

Québec estimates that \$20 billion is required to address the current and foreseeable transportation infrastructure deficit over the next 10 years. This figure excludes financial requirements of CPA ports, National Airport System (NAS) airports, Class 1 rail lines and terminals and other privately owned transportation infrastructure.

In the *Western Transportation Infrastructure Strategy for an Economic Network* of March 2005, the Western Provinces identified capital costs of almost \$16 billion over the next 10 years for strategic priorities in all modes. This does not include maintenance costs or capital costs for projects which are important regionally, but are not part of the national strategic network.

The Atlantic Provinces have estimated that almost \$4 billion in capital investment is needed to address the NHS infrastructure deficit in

those provinces alone. A recent survey of major infrastructure projects in the Atlantic Provinces identifies specific projects in other modes requiring an additional \$2.3 billion in funding. This amount does not include the significant investment requirements on other highways for which the provinces are responsible, nor does it detail the total financial requirements of Canada Port Authorities and other ports, National Airport System airports and other airports, rail lines and terminals and other privately owned and/or operated transportation infrastructure.

The Territories have estimated that more than \$2.5 billion is necessary for transportation infrastructure priorities.

Using these preliminary estimates, provinces and territories have identified approximately \$97 billion is required for capital investment in transportation priorities over the next 10 years.

INVESTING FOR ECONOMIC GROWTH

The U.S. and other strong economies view transportation as essential to their economic growth and competitiveness. They have focused plans and dedicated funding to improve their national transportation networks. In 2005, the U.S. Congress adopted transportation legislation that provides \$286.4 billion in funding to states for highways and transit over six years. That federal funding comes mainly—90%—from gas taxes that are returned to the state where they were collected.

Canada needs a long-term national program for investment in highways and transit similar to the U.S. plan. In Canada, both the federal and provincial governments collect significant revenues in fuel taxes. According to Transport Canada's Annual Report for 2004, provinces and territories have led the way by investing \$6.2 billion, the equivalent of 92% of the fuel taxes they collect. (This is an average figure; some provinces invested greater than 100% of the fuel tax collected.) In addition, municipalities spent more than \$6.9 billion on transportation from their own revenue sources and from provincial transfers. By comparison, in the same period, the federal government collected more than \$5.1 billion in fuel taxes but spending on roads amounted to \$441 million, only 9% of its fuel tax revenues.

Since 2003-04, the federal government has made significant advances in providing funding for transportation and other purposes from its fuel tax revenues. It has offered \$5 billion over five years for environmentally sustainable municipal infrastructure, which can include projects for transit and the rehabilitation of roads and bridges. The federal 2005 budget also offered transit funding of \$800 million over two years. The promise to renew existing infrastructure spending programs, and the launching of new Gateway programs that include support to transportation, are encouraging. More needs to be done.





The federal government must provide an adequate, long-term stable funding stream for transportation infrastructure.

SHARING THE RESPONSIBILITY

Current investment needs point to the creation of a long-term transportation investment program funded by the most obvious choice—federal fuel tax revenues.

Provinces and territories recognize that the federal government has existing programs to be funded by fuel tax revenues. Funds should not be diverted from these programs. However, the federal government still has considerable revenues derived from transportation sources that are not being reinvested in the transportation sector.

Using Statistics Canada data, based on revenues collected during the past five years, federal revenues from fuel taxes are estimated to total \$48.67 billion over the next 10 years. Current federal commitments on sharing the fuel tax with municipalities will amount to \$15 billion over the same period. The 2005 transit funding commitment amounts to another \$800 million. Therefore, the unallocated portion of the fuel tax over 10 years is \$32.87 billion.

Total fuel tax revenue (10 years)	\$48.67 billion
Less fuel tax commitments:	
Municipal infrastructure (10 years)	(\$15.8 billion)
Unallocated total	\$32.87 billion



The provinces and territories believe that the unallocated funds from the federal fuel excise taxes must be committed to a **Strategic Transportation Infrastructure Fund** and distributed on an equitable basis, to provide a stable and adequate core funding source for capital infrastructure investments. The funding formula must respect jurisdictions and allow for flexibility and autonomy in investment decisions that provinces and territories will make to prioritize projects based on their individual needs.

The proposed funding levels will not meet all the requirements of the national transportation system. Renewal and expansion of existing federal infrastructure programs will still be required in partnership with large investments from provinces, territories, municipalities and the private sector.

SUMMARY: A CALL TO ACTION

Canada was built on daring transportation projects that originated from our forefather's vision of a Canada connected and prosperous. Today, transportation infrastructure remains critically important to the economy and the standard of living in all provinces and territories. However, a new funding partnership must be formed soon to encourage economic growth and diversification, enhance productivity and international competitiveness, strengthen community self-reliance, and better integrate provinces and territories for a prosperous future.

Transportation infrastructure investments are costly and may take years to plan and implement. They cannot be delivered on the basis of uncertain or ad hoc funding arrangements. Therefore, it is imperative that the new transportation agreement be supported with adequate, stable long-term funding.

Too much is at stake not to act now. The future well-being of Canadians in all provinces and territories depends on making transportation infrastructure investment a top priority.





APPENDIX I: STRATEGIC NATIONAL TRANSPORTATION SYSTEM CRITERIA

The following represents an initial attempt to identify criteria to define a strategic national transportation system.

AIRPORTS

- existing NAS airports, or
- non-NAS airports located in provincial/territorial capitals, or
- non-NAS airports with a minimum of 200,000 passengers per year, or
- non-NAS airports with a minimum of 50,000 tonnes of freight per year, or
- second largest airport in province/territory, or
- designated polar or high latitude overflight emergency or alternate stop, or
- other major regional hubs

Result: Vancouver, Victoria, Kelowna, Prince George, Abbotsford, Edmonton, Calgary, Regina, Saskatoon, Winnipeg, Thompson, Churchill, Cambridge Bay, Toronto, Hamilton, London, Ottawa, Thunder Bay, Montreal - Trudeau/Mirabel, Quebec City, Fredericton, Saint John, Moncton, Halifax, Sydney, Charlottetown, St. John's, Gander, Deer Lake, Yellowknife, Inuvik, Whitehorse, Dawson, Norman Wells, Iqaluit, Rankin Inlet and other major regional hubs

MARINE PORTS

- existing CPA ports, or
- non-CPA ports with a minimum of 100 trucks per day (in each direction), or
- non-CPA ports with a minimum 50,000 twenty-foot equivalent units (TEUs) of freight per year or equivalent in weight, or
- busiest port of significance to the economy of each province/territory handling interprovincial or international trade, or
- St. Lawrence Seaway



Result: Fraser River, Nanaimo, Port Alberni, North Fraser, Prince Rupert, Vancouver, Kitimat, Churchill, Hamilton, Thunder Bay, Toronto, Windsor, Montreal, Quebec, Port-Saguenay, Sept-Îles, Trois-Rivières, Baie-Comeau, Port-Cartier, Matane, Becancour, Belledune, Saint John, Bayside, Halifax, Strait of Canso, Charlottetown, St. John's, Come By Chance, Wiffen

Head, Cornerbrook, Lewisporte, Botwood, Hay River, Iqaluit, Bathurst Inlet, Rankin Inlet, Skagway.¹

FREIGHT RAIL

- core inter-regional line (class 1 rail lines); or
- non-core line to territories, U.S. or alternate international gateway; or
- Class 1 railway freight terminal with a minimum of 100 trucks per day (in each direction); or
- Class 1 railway freight terminals with a minimum of 50,000 TEUs of freight per year or its equivalent in weight; or
- non-Class 1 rail lines (short lines) and freight terminals that connect to Class 1 lines and carry a minimum of 25,000 car loads per year or its equivalent in weight.

Result: See Map for Class 1 rail lines

Non Class 1 (short lines) include:

British Columbia

- Burlington Northern Santa Fe Railway
- Southern Railway of British Columbia

Alberta

- Mackenzie Northern Railway
- Athabasca Northern Railway
- Savage Alberta Railway
- Lakeland and Waterways Railway

Saskatchewan

- Carlton Trail Railway

Manitoba

- Hudson Bay Railway

Ontario

- Ottawa Valley
- Goderich Exeter
- Ontario Northland

Quebec

- Matapédia et du Golfe
- Québec-Gatineau
- Roberval-Saguenay
- Arnaud



¹ American Port



- Québec North Shore and Labrador
- Rivière Romaine
- Cartier
- Montréal, Maine & Atlantique
- Saint-Laurent & Atlantique
- Port of Montréal Railway

New Brunswick

- New Brunswick Southern Railway
- Chemin de fer de la Matapédia et du Golfe inc
- New Brunswick East Coast Railway
- Montreal, Maine and Atlantic Railway

Nova Scotia

- Cape Breton & Central Nova Scotia Railway

Newfoundland

- Québec North Shore Labrador Railway

Northwest Territories

- Mackenzie Northern Railway

Intermodal terminals in: Greater Vancouver, Edmonton, Calgary, Regina, Saskatoon, Winnipeg, Toronto, Montréal, Québec City, Moncton.



INTERCITY PASSENGER RAIL

- intercity rail passenger lines and terminals that serve a minimum of 50,000 people per year; or
- accommodate \$50 million in tourism value per year.

Result: VIA Rail Service and key terminals in the following corridors: Québec City/Montréal, Montréal/Ottawa, Montréal/Toronto, Toronto/Windsor, Québec City/Montréal/New York, and Montréal/Moncton/Halifax

HIGHWAYS

- all NHS routes and intermodal linkages.

Result: See Map

CANADA-US BORDER CROSSINGS

- crossings that carry a minimum of \$500 million in trade and tourism per year and are open 24 hours; or
- crossings that carry a minimum of 1.5 million vehicles per year

Result: Pacific Border, Huntingdon, Osoyoos, Kingsgate, Coutts, North Portal, Emerson, Windsor, Fort Erie, Queenston, Sarnia, Niagara Falls, Landsdowne, Prescott, Pigeon River, Cornwall, Sault Ste. Marie, Lacolle, Philipsburgh, Rock Island, St-Theophile, Woodstock, St. Stephen, Edmundston

URBAN ROAD

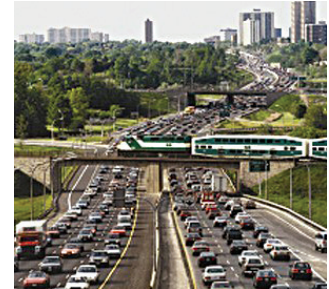
- NHS intermodal connectors plus shortest routes that connect NHS routes with urban intermodal terminals (including transit, ferry and passenger rail terminals), or
- major urban roads with controlled access that connect to NHS routes and carry a high volume of vehicles, or
- urban roads that serve major economic centres within Census Metropolitan Areas with a significant concentrations of industrial jobs.



URBAN TRANSIT

- transit systems and terminals in the 27 metropolitan areas (MAs) as defined by Statistics Canada, or
- transit systems in municipalities that are or will be eligible for federal transit funding

Result: Victoria, Vancouver, Abbotsford, Calgary, Edmonton, Regina, Saskatoon, Winnipeg, Hamilton, Kingston, Kitchener, London, Oshawa, St. Catharines-Niagara, Sudbury, Thunder Bay, Toronto, Windsor, Ottawa-Gatineau, Montréal, Québec, Saguenay, Sherbrooke, Trois-Rivières, Saint John, Halifax, St. John's and all transit systems in municipalities that are or will be eligible for federal funding.



Intermodal transit terminals in Toronto, Montréal and Québec

FERRIES

- all Canadian-owned interprovincial/international ferries and associated infrastructure (year-round or seasonal), or
- intra-provincial ferries and associated infrastructure that connect directly on both ends to a NHS road.

Result: Vancouver/Victoria; Vancouver/Nanaimo, Îles-de-la-Madeleine/Souris, Ste-Barbe/Lourdes-de-Blanc-Sablon, Baie-Comeau/Matane, Matane/Godbout, Tadoussac/Baie-Ste-Catherine, Sorel/St-Ignace-de-Loyola, Rivière-du-Loup/St-Siméon, Rimouski/Forestville, Trois-Pistoles/Les Escoumins,



Saint John/Digby, Port aux Basques/North Sydney,
Argentina/North Sydney, Yarmouth/Bar Harbour,
Yarmouth/Portland, Caribou/Woods Islands

APPENDIX 2: INCLUDING ALL PROVINCES AND TERRITORIES

Geography, economies and population densities vary across the country. Although the regions share the same vision and principles, they have different needs. The national system must recognize the range of infrastructure needs across the country and then balance and integrate them.



THE NORTH

Canada's North, the Yukon, Nunavut, and Northwest Territories together comprise 40 percent of Canada's land mass, contain two-thirds of Canada's marine coastline, share 14 percent of the total U.S./Canada border and interface with European interests in the Eastern Arctic. Despite this broad geographic reach, historically there has been limited Canadian political interest in the North.

Time has changed this. The North is now recognized as a treasure chest of non-renewable and renewable resources that will benefit all Canadians. Diamonds, precious gems and base metal mines already constructed, being constructed or proposed in the territories have created the momentum for a vibrant and healthy economy. The oil and gas sector is also the focus of intense activity and great potential in all three territories. Potentially two new pipelines could see natural gas flowing from the Mackenzie Delta and from Alaska's North Slope to southern markets within a decade. The launch of the framework for a Northern Strategy on December 14th, 2004 by the Prime Minister and three Northern Premiers was an implicit and direct recognition of this resource potential.

Time has also changed a long held perception that the North is geographically distant from large markets. In the current global economic context, however, the North is now being considered as a potential gateway to both Asia and Europe. Two projects, currently in the pre-planning stage, support this claim and offer economic advantages that should be explored further. The port of Skagway, although in U.S. waters, is of strategic significance in serving these markets. Equally, the proposed Alaska-Canada Rail Link provides a strategic link between North America and the Pacific Rim.

There are challenges to overcome to realize these economic opportunities. The North has a sensitive ecology, limited investment capital and transportation corridors, and an overall system that is underdeveloped or as in the case of Nunavut highways, non-existent. Resource development is stretching the North's existing underdeveloped transportation infrastructure to its limit. The lack of

an effective and reliable multi-modal transportation system could eventually discourage investment by companies in future resource development and transportation gateway proposals.

Other challenges are also developing. In these times of shifting geopolitical landscapes, globalization, climate change, and energy concerns, the focus on Canada's North and issues around northern safety, security and sovereignty is greater than it has ever been.

The push for globalization has seen the Government of Canada sign new air liberalization agreements with other nations, resulting in increased polar and high latitude air traffic. Many of these new flights will use polar and high latitude routes through Canadian airspace and if required will use major airports in the North for emergency stops. The use of these airports raises major infrastructure, operating and liability issues.

The impact of climate change is already showing up in the North. With significant reductions in the Arctic ice pack now occurring, the Northwest Passage is coming under increased international pressure for use as a viable alternative to the southern marine routes.

Northern safety, security, and environmental integrity are dependent upon transportation infrastructure. Currently this infrastructure is completely inadequate to respond to environmental emergencies, natural disasters, non-environmental accidents, and increasing threats to Canada's sovereignty. In the three northern territories, only one road, the Dempster Highway, crosses the Arctic Circle. It does not, however, connect to the Arctic Ocean.

Greater recognition of the strategic importance of northern transportation infrastructure to the nation's economy, security and sovereignty is required. All Canadians will benefit from a North that is connected to the rest of Canada by an effective and efficient multi-modal transportation system. As such all Canadians must accept some responsibility for the costs associated with providing this system. With limited resources, the territories cannot realistically assume the financial burden of increased infrastructure alone.



WESTERN PROVINCES

The strategic transportation development objectives in British Columbia, Alberta, Saskatchewan and Manitoba are strongly linked. These objectives, articulated more fully in the Western Provincial Transportation Ministers Council 2005 publication, "*Western Canada Transportation Infrastructure Strategy for an Economic Network*," both complement and support the shared vision and principles.

In the West, exports are the primary engine of growth and prosperity, as is the continued growth of value-added manufacturing activities and tourism. The National Highway System in the west handles more





than one-quarter of all traffic in the region. Investment is required to both preserve the existing road system and meet the growing demand for better safety, capacity and mobility.

The Pacific Gateway serves western Canadian exporters and consumers by facilitating trade with Pacific Rim countries. West coast ports, airports and the supporting road and rail networks are linked to the corridors of the western provinces and the rest of Canada. Half of Canada's maritime exports and 85% of the western provinces maritime exports are currently handled by Pacific ports. The efficient development and promotion of the Pacific Gateway and associated trade corridors - including consideration of more efficient inland-based supply chain activity away from current congested points—would ensure Canada has the necessary infrastructure in place to improve competitiveness and take advantage of the growing opportunities in Asia-Pacific trade in the years ahead.

An effective and efficient transportation system throughout the West is a vital component in creating value in the national economy. To enhance Canada's competitiveness, capture the opportunities, and reap the economic benefits, billions in public and private sector investment in infrastructure that serves the Gateway will be required over the next 10 years, starting now.

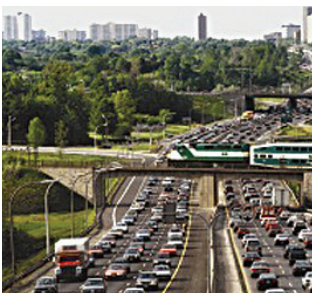
ONTARIO

Given its population size, economic output, and reliance on U.S. markets, Ontario's transportation priorities will be consistent over the next decades:

- 1) to ensure that the transportation system improves Canada's economic competitiveness and contributes to a high quality of life;
- 2) to maintain efficient economic corridors and border crossings for trade;
- 3) to encourage the use of public transit to deal with road congestion in large urban centres; and
- 4) to ensure safety and security in the transportation system.

Some of Ontario's most significant challenges will come in its most populous and growing areas. Southern Ontario, including the greater Toronto area, will grow from its current population of almost eight million to more than 12 million over the next two decades. The number of jobs in this region will grow to 5.6 million. At the same time, the region will continue to be a major destination for tourists.

Congestion is already a serious problem in large urban centres and at border crossings, causing increased commute times, lost productivity, higher costs for doing business, and environmental damage.



Congestion will increase unless concrete actions are taken immediately.

In order to address growth pressures in urban areas, coordinated, long-term land use and transportation planning is required to appropriately integrate future transportation investments with growth. Ontario has recently taken several measures in this direction, including the *Places to Grow Act* and the *Greenbelt Act*. These pieces of legislation set a framework to focus population growth and employment in order to support the efficient use of existing and future transit, highway, and other infrastructure investments.

A high priority is to connect all of Ontario's cities to international markets along economic corridors leading to border crossings. South central Ontario, in particular, is both the origin and destination of a large percentage of Canada's freight traffic. Canada's busiest border crossings are located at Windsor, Niagara, and Sarnia, which together carry over 56% of Canada's road trade with the U.S. Efficient border crossings in Ontario are a national imperative, not only for the volume of trade generated within the province, but also for the trade from Atlantic Canada and Quebec that passes through Ontario to U.S. destinations.



New investment in infrastructure is urgently needed. For many years, governments at all levels have neglected this critical element in our society, and that neglect is now apparent to all. To begin to meet current pressures, Ontario has adopted a \$30 billion, five-year infrastructure investment plan entitled *ReNew Ontario*. Transportation figures prominently in the plan. Ontario will tackle the growth and congestion challenge by making strategic investments of \$11.4 billion to reduce commute times, increase transit ridership, and improve efficiency and capacity at border crossings and on strategic economic corridors. That provincial investment will have to be matched by other levels of government and the private sector.

Innovative and integrated transportation planning and investment are critical to Ontario's economic performance in the coming decade. Getting it right in Ontario will also have a significant impact on the success of a national transportation strategy and on Canada's future economic prospects.



QUÉBEC

Québec has a vast territory, and although there are many communities in outlying and northern areas, the population is concentrated in the south. In response to this diversified reality, Québec has an extensive network of marine, rail, air and road infrastructure throughout its territory. Every year, more than six billion person-trips are taken in Québec, totalling more than 144 billion kilometres. In addition, approximately 290 million tons of goods are hauled on the entire

transportation network. The replacement value of the aging infrastructure that comprises this network is estimated at more than \$65 billion, and substantial resources must be allocated for maintenance in order to ensure their sustainability.

These transportation infrastructure support Québec's economy, which is characterized by being very open to foreign markets, with exports accounting for 57% of Québec's GDP. The value of international foreign trade in goods has more than doubled in 10 years, totalling more than \$144 billion in 2002. Located at the edge of North America's major markets, Québec has direct access to a concentration of more than 130 million consumers within a 1,000 km radius. The United States is Québec's biggest trading partner, accounting for 65% of the total value of the province's international trade.



Mobility in Québec is structured around the backbone formed by the St. Lawrence Valley which is one of the most important gateways to North America. The St. Lawrence River, which transects Québec for approximately 1,200 km on an east-west axis, provides access to the industrial heartland through the St. Lawrence Seaway. In this regard, the port of Montreal plays a major role. It is the leading container port among those on the Atlantic Coast for the European market.

The main axis formed by the Maritimes-Québec-Ontario-Midwest (U.S.) corridor is joined by major corridors to the United States: Québec-New York and Québec-New England. A significant portion of the trade with Québec's leading economic partners is concentrated in these three main corridors. In light of their strategic importance in terms of Québec's foreign trade, it is imperative that certain existing infrastructure be completed, and that investments be made to ensure the sustainability and integration of the various modal components of these corridors.

From a Canadian perspective, the St. Lawrence axis links Ontario and Québec to New Brunswick. Interprovincial trade in 2002 totalled \$63.5 billion, with the market in Ontario, accounting for almost 60% of the value of Québec trade with the rest of Canada, which means that Ontario is Québec's leading domestic trading partner.

The convergence of the main transportation axes also means that Montréal is Québec's trade hub. The largest urban centres, Montréal and Québec City, are also located on the St. Lawrence axis and they have to deal with road congestion. Considering their strategic importance, it is therefore crucial to protect the efficiency and fluidity of these axes that run through the main centres. Public transit eases transportation demand on these thoroughfares, and is an efficient means of transportation for improving the mobility of people within the city. Major investments are required in order to sustain the quality of service so that the high ridership rate of Québec public transit can be maintained.

Natural resource development remains a key sector of the Québec economy. The St. Lawrence backbone is also joined by axes that connect outlying areas to the main population centres in Montréal and Québec City. Québec's intraprovincial trade, which amounted to more than \$90 billion in 2001 (up by more than 20% since 1992), reflects the importance of the contribution of every region to Québec's overall economy, and the necessity of providing quality transportation infrastructure.

Finally, northern Québec is characterized by scattered and isolated communities. Access to this area is essential, not only in order to provide services to these communities, but also to facilitate the development of natural resources in the form of hydroelectricity, forestry, and mining.

ATLANTIC PROVINCES

The Atlantic Region is strategically located at the north-eastern tip of the continent, acting as a North American gateway at the intersection of three powerful and shifting trade networks—the north-south NAFTA, the EU-NAFTA and the Suez Express route (from South and East Asia via the Suez Canal). Trade relationships between the region and the United States have been strengthened; there is a growing relationship with Europe and in particular with Norway and Ireland, and strong potential exists to diversify into new market opportunities, particularly in China, India, Brazil, Mexico and other high-growth emerging markets. Trade is integral to the economy of the Atlantic region, with the total value of international and interprovincial trade equivalent to almost 130% of GDP—higher than the national average.

An effective, efficient and safe multi-modal transportation system serving the Atlantic Provinces and beyond is critical to ensuring that the region can maintain and enhance its role as the *Atlantic Gateway* to Canada, contributing substantially to the economic competitiveness and success of this nation.

The Atlantic Region acknowledges that transportation is a primary force for economic development in all provinces and territories of Canada. Investments in transportation make the economy more competitive and productive and constitute one of the best ways that government can support Canada's economic well being. For less populated provinces and territories in this nation, transportation infrastructure and services take on an additional strategic dimension. Atlantic Canada, like much of the country, is characterized by two distinct economies—the rural economy and the urban economy. The difference in Atlantic Canada is that the share of population living in rural areas is significantly higher than the national average of 20%. In Newfoundland and Labrador the share of the population living in rural areas is 42%, in Nova Scotia 44%, in New Brunswick 50% and in Prince Edward Island 55%. The new rural economy, with its emphasis



on exports, makes a significant contribution to the regional economy. Realization of new economic activity in rural areas is highly dependent on reasonable access to transportation.

The highway system is the backbone of the region's economy, providing the main mode for moving passengers and freight to and from the region. About 80% of Atlantic exports to the United States, for example, are transported by road. A well-maintained highway system is particularly important for Newfoundland and Labrador and Prince Edward Island, where there is no access to rail for surface shipping or traveling.

International and inter-provincial ferry services are a critical component of the core transportation network. These ferry services are, in effect, integral components of the national highway system. They provide vital direct transportation, tourism, and commercial links between provinces, as well as entry/exit points for the United States. Travelers and freight haulers realize enormous benefits and efficiencies through these marine routes, and they relieve pressure on major congested highways.

The network of airports, seaports and railways also provides access to external markets and makes an important contribution to economic prosperity in the Atlantic Region.

Major upgrades to the National Highway System are long overdue. The top transportation investment priority for the Atlantic Provinces is highways, including key trade corridors.



APPENDIX 3: POLICY PRIORITIES

Policy and regulatory reforms in all modes are required to support the nation's trade growth, to optimize the use of existing infrastructure, and to ensure that shippers and travelers across the country have access to a safe, efficient and effective transportation system.

The nation's infrastructure challenges must be a focal point in the policy arena. In the same manner that sustainable, long-term funding is essential to the development and maintenance of transportation infrastructure across Canada, so too is a responsive and flexible policy and regulatory framework. This is particularly the case for modes where the responsibility for funding and operating infrastructure rests with non-governmental third parties. While many of these third parties have financing mechanisms in place to generate investment funds for capital expansion, the focus of policy for these modes must be to facilitate access to both public and private funding.

We need to look constantly for ways to reduce or eliminate regulatory burden, and for ways to harmonize regulations.

ALL MODES

Land-use decisions that affect future corridors and gateways

All levels of government need to ensure there is sufficient future transportation corridor capacity when making land use decisions.

Better coordination between the modes so as to optimize the efficiency of the system

Transportation traditionally focused on single modes in isolation from one another: rail, air, roads, and water. In recent years, however, the focus has shifted towards an intermodal approach in which all modes are linked together in a seamless system that is efficient, safe, flexible, environmentally responsible and responsive to user needs.

A well functioning, integrated transportation network facilitates domestic trade, cultural connections and nation building. Making the most of the existing intermodal system and enhancing it for the future will require increased investments in and coordination between gateways, trade corridors, the national highway system, border crossings, rail networks, marine networks, ports, airports, intermodal facilities, major urban roads, and transit. Federal, provincial and territorial, municipal and private sector partners all have a role to play in enhancing the efficiency of Canada's intermodal transportation system.

Dedicated and predictable federal funding support for public transportation infrastructure

Current federal funding programs for public transportation infrastructure provide funding on an ad-hoc and project-by-project basis. This structure makes it difficult for provinces, territories and



municipalities to engage in long-term planning processes. The promise to renew existing infrastructure spending programs, and the launching of new Gateway programs that include support to transportation, are encouraging. But the federal government must take an even greater leadership role by providing an adequate, long-term stable funding stream for transportation infrastructure.

INNOVATIVE PARTNERSHIPS

To help meet the funding needs, governments should take advantage of partnerships with all funding partners, including the private sector. This includes putting in place safeguards to ensure that:

- The public interest is protected
- Taxpayers get value for tax dollars invested
- Accountability and appropriate public control are preserved
- All processes are fair, transparent and efficient.

AIR

Reducing the money taken out of the system

In the interest of preserving a healthy and competitive aviation system in Canada, the aviation policy and regulatory environment must be reviewed, with a focus on reducing the money removed from the system.



In May 2005 the federal government announced a new airport rent policy which revised the formula for calculating the rent received from National Airport System (NAS) airports. The new formula has provided NAS airports across the country with impressive reductions. However, the issue of airport rent is still a significant one for stakeholders nationwide and further negotiations must be undertaken to address residual concerns.

New aviation regulations which impose costs on airports, and consequently, air carriers and other users, are also issues for many airports. While much regulation is viewed as necessary and desirable, this is not always the case. It is incumbent upon the federal government to take a cautious and considered approach to regulation, while considering the merits of providing financial assistance to airports for new regulatory requirements.

Despite some reductions, the Air Travelers Security Charge (ATSC) continues to have an impact on air travel demand, which in turn affects the viability of both air carriers and airport operators. The security of airports is a nationally significant issue that has an impact on all citizens and should be funded from general revenues.

Small Airport Viability

The viability of Canada's small airports is an issue of importance across all jurisdictions. As an integral part of the nation's air transportation system, small airports often require access to long-term and stable capital funding.

In September 2004, the Council of Ministers Responsible for Transportation and Highway Safety agreed that the viability of small airports needs action. Each province and territory and the federal government agreed to participate in a national exercise to develop objective criteria and evaluation grids that will assist in determining the mission of small airports, and to identify opportunities for future action.

Further, Ministers agreed that continuation and funding enhancement of the federal Airports Capital Assistance Program (ACAP) is essential to support the viability of regional and local airports. However, Ministers asserted that a broader, more flexible approach to eligibility be instituted so that the airports which need funding the most may access it.

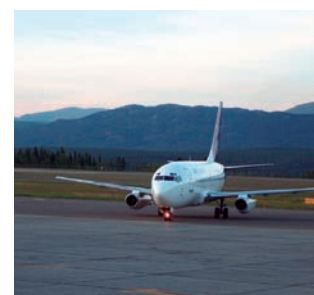
International/trans-border air policy liberalization

While many countries, and in particular the United States, are avidly pursuing "open skies" type agreements, Canada is operating based on an antiquated air bilateral regime that is neither flexible nor responsive to market demands. International air policy liberalization will foster an innovative and competitive air transportation environment that will benefit a variety of interests. This includes not only Canadian air carriers and airports, but also Canadian communities, trade and tourism interests, consumers and travelers and myriad others.

With its recent commitment to negotiations aimed at further liberalizing the 1995 Canada/United States agreement, the federal government is moving in the right direction. Further liberalization of Canada's air bilateral agreements must follow. Negotiations must take into consideration an overall "value-for-value" exchange of benefits, as opposed to the narrow concept of "carrier benefits," and must also consider regional needs and perspectives within the nation. Opportunities to expand air bilateral agreements as they relate to air cargo must also be considered.

The federal government must also, over the longer term, explore the development of an open North American aviation market and eventually a multilateral approach to "open skies." It is also important for Canada to become a partner in the European Union/ United States negotiations regarding an "open" Europe/North America aviation market.

Raise foreign ownership limits on Canadian carriers



Stakeholders have suggested the federal government examine the possible benefits of an increase in the current 25% foreign ownership restriction on Canadian carriers. Greater investment by non-residents has the potential to strengthen the domestic air industry. In September 2005 Minister Lapierre announced he would soon be making a proposal to federal cabinet to raise the foreign ownership limits on Canadian carriers from 25% to 49%. Provincial and territorial governments support this change in policy as a key to enhancing the domestic air industry in Canada.

PORTS

Borrowing limits for Canada Port Authority (CPA) ports and innovative financing tools

Ports are an important part of Canada's transportation system as key connections to the global marketplace. Changes in federal policy are needed to ensure that Canada's ports remain viable and have the capacity to pursue future opportunities.

CPA ports are constrained in the amount they can borrow for capital projects by the terms of their Letters Patent. While CPAs can request an increase in their borrowing limits by applying to the federal Minister of Transport, the process may be long and cumbersome.

Bill C-61, An Act to amend the Canada Marine Act and other Acts, attempts to address the issue of CPA borrowing limits. Under the proposed amendment, CPA ports will be able to increase their borrowing power before supplementary letters patent are issued, so long as the increase is approved by the Minister of Finance and does not exceed \$7 million. However, the provinces and territories believe that eliminating the borrowing limits for CPAs and replacing them with whatever level of borrowing is acceptable in the market will allow our ports to better respond to future growth and development opportunities.

US governments at all levels consider their ports to be vital parts of the transportation system. American ports have access to a variety of financing mechanisms, including the ability to issue tax-free revenue bonds and, in the cases of Seattle and Tacoma, the power to tax area residents. In order to ensure that Canadian ports are able to realize future business opportunities, the federal government must create a policy and regulatory environment that allows CPA ports to access innovative and flexible financing tools.

Federal participation in port investments of national significance

Bill C-61 also attempts to address the issue of CPA port access to federal funding. Under the existing *Canada Marine Act*, CPA ports do not have access to federal funding or loan guarantees. *Bill C-61* will allow CPAs to access federal funding (under existing programs) for qualifying infrastructure or infrastructure-related projects, provided



the total amount of payments does not exceed 20% of the eligible costs of the project.

These are important first steps in allowing ports access to the capital funding they require to finance infrastructure that will allow them to effectively serve customer needs and take advantage of growth in various areas of port traffic.

Grant ports wider power to manage assets and recognize regional growth strategies

CPAs have limited authority to acquire or dispose of federal real property. This is usually done through the Minister of Transport and, if purchasing property valued at more than \$250,000, the Minister must make a submission to Treasury Board. Similarly, for all sales of federal real property, a Treasury Board submission and an Order-in-Council authorization are required. This is a complicated and time-consuming process.

The provinces and territories believe that CPAs should be permitted to acquire or dispose of real property that is valued less than a predetermined maximum dollar amount, on behalf of the federal Crown. Further, we endorse the idea that the CPAs retain the proceeds from these sales for general port purposes.

When seeking third party financing, CPAs are currently permitted to pledge only revenue streams and fixtures. The provinces and territories believe that this policy should be expanded to allow CPAs to pledge all port assets, including real estate.

RAIL

A legislative and policy framework that balances the interests of rail users with the national carriers

Many shippers across Canada are heavily dependent upon the rail mode to move products to important markets. In many instances the long distance to market, high volume or products shipped and low value of these products makes shippers of these products essentially “captive” to the rail mode. Such products cannot be moved economically by any other mode of transport.

In addition, the geographic location of the two major national railways, CN and Canadian Pacific Railway, is such that there is limited direct intra-modal competition between railways for freight traffic in some parts of the country. Overall, the existing *Canada Transportation Act* and the proposed amendments to the rail provisions of the *Act* through *Bill C-26*, do not provide for effective shipper recourse to the Canadian Transportation Agency in situations where competition is weak or absent and shippers have issues with carriers concerning rates and service. Federal policies must do more to ensure that the interests of rail users are balanced with those of the national rail carriers.



Continue to work with the industry on initiatives to increase capacity

Provincial and territorial governments work diligently with industry stakeholders to identify opportunities to increase rail business and capacity in their jurisdictions and are committed to continuing this work in the future.

Address competitive inequities between the US and Canada

American and Canadian railways are often fierce competitors for rail business. Rail policies and regulations in Canada must be designed in such a way that does not put Canadian railways at a competitive disadvantage to their American counterparts.

Promote additional joint-track usage and co-production agreements to improve traffic flows in the regions

Pursue initiatives which will promote increased rail competition

ROADS

Federal highway program that recognizes rehabilitation and resurfacing costs as well as new capital expansion

Provincial and territorial governments have been continually urging the federal government to allocate more of its fuel tax revenue for maintaining transportation infrastructures. Current federal funding programs have generally focused on new capital expansion and the addition of new capacity. The majority of rehabilitation and resurfacing of existing highways across the country is thus left to the provinces, territories and municipalities. However, to gain the greatest benefit from local, provincial and territorial investments, it is essential and appropriate that the federal government make significant investments. When a new federal highways program is introduced in 2006, it is essential that it recognizes not only capital expansion but also the rehabilitation and resurfacing needs of existing highway infrastructure, as was agreed when the Ministers of Transportation approved a new National Highway System at their Calgary meeting in September 2005.



When contracting pavement reconstruction projects consideration should be given to rehabilitating our roads using proven methods that minimize the impact to the environment while conserving our non-renewable resources. Both Hot-in-Place and Cold-in-Place Asphalt Recycling address these considerations and are currently being utilized throughout Canada. In light of significant cost savings and reduced environmental impact, pavement recycle technologies should be considered as a road rehabilitation option.

URBAN TRANSPORTATION

Recommendations from the 2005 Urban Task Force:

1. Recognizing the importance of urban areas, the federal government should provide sustainable, predictable, long-term funding to support urban transportation investment.
2. All orders of government must recognize that amongst competing urban infrastructure needs, the specific needs of transportation, including transit, are significant and merit a proportional share of new investment.
3. Governments must take action to improve transportation and travel time for freight and passengers in urban areas through increased investment, transportation demand management, improved planning processes and the use of advanced technology.
4. While respecting provincial and territorial jurisdiction and planning priorities, all orders of government must find ways to work together more effectively to improve transportation and mobility in urban areas. Opportunities for collaboration beyond funding partnerships should be explored.
5. All governments should pursue opportunities to promote awareness of the importance of sustainable urban transportation and transportation choices to the economy, the environment and the social lives of Canadians.



NORTHERN

Polar and high latitude route traffic

Changes in regulations and in the international political climate have resulted in the opening up of polar and high latitude air routes. International air carriers are changing their route patterns to take advantage of these routes. A polar route may reduce flight times up to 3 hours and operations cost up to \$40,000 US per flight. Air carriers using the polar routes have indicated that northern airports including Yellowknife, Iqaluit and Whitehorse Airports, among others, are essential to their operations when emergencies develop and a diversion to an alternate airport is required. These diversions are very often accompanied by the dumping of large quantities of fuel to meet the operating requirements of these airports. In addition as some of these airports are not open 24 hours, liability issues could develop.

This matter gains more significance every day as the Government of Canada signs new air liberalization agreements with other nations, resulting in increased polar and high latitude air traffic. Recently announced bilateral air agreements with India and the People's





Republic of China are expected to result in five and three fold increases, respectively, in passenger and cargo flight operations. Many of these new flights will use polar and high latitude routes through Canadian airspace.

A systems plan which would identify the required support infrastructure and services to accommodate polar and high latitude flights along with possible funding support mechanisms is now required.

SOVEREIGNTY

Sovereignty over an area is generally provided by the presence of people, communities, and a governance structure and support infrastructure. Sovereignty can be compromised if one or more of these elements are missing.

Sovereignty and security is dependent upon the communities and the transportation infrastructure that supports them. Current infrastructure in northern and remote areas is inadequate to respond to environmental emergencies, natural disasters, non-environmental accidents and increasing threats to Canada's sovereignty. With the opening up of polar air routes and the resulting increase in over-flights, there is a greater possibility of emergency situations. The potential for increased international shipping through the Northwest Passage is another emerging threat. Investing in northern and remote transportation infrastructure will help ensure the presence of people and communities. This investment will compliment Canada's efforts to demonstrate sovereignty, and will increase support for responding to emergencies in northern and remote areas.