THE VAN HORNE INSTITUTE

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Canadian Transportation Policy
MEETING WITH FEDERAL MINISTER JEAN-C. LAPIERRE
Calgary, 23 August 2005

This summary was written by Dennis Apedaile, retired transportation industry executive with extensive public policy experience.

INDUSTRY HAS RESPONDED TO POLICY PROGRESS

Participants generally believed significant policy progress had been made over the past 20 years, but a significant job remains to be done.

There was general recognition of the tremendous investment and efficiency boost that had occurred in various transportation modes as a result of increased reliance on the marketplace, rather than regulation.

TODAY IS DIFFERENT

But today is different. Business as usual – Canadian geographic and resource virtues and some raw talent -- are no longer enough.

The old reality was our natural advantages meant it always did reasonably well economically. The new reality is that without aggressive action, Canada is likely to fall behind.

Speakers stressed the imperative challenge of the rapid evolution of <u>a world economy that has changed transportation from important to vital</u>. Canada's key transportation issues will either be taken on quickly, with vigour and broad commitment, or the country's global economic presence and relative standard of living is likely to stagnate or decline.

Industry players understand the new reality; the current minister understands, but government awareness and action needs to take a quantum leap.

WHAT'S TO BE DONE?

To regain the political importance and large profile on the national agenda that it had during Canada's first century, <u>the public benefits of transportation need aggressive promotion</u>.

Because transportation has so much government involvement, it is highly politicized. Yet the market test is the nimble, focused performance that international competitiveness requires. <u>Depoliticizing transportation would be a great step forward</u>. At best that takes commitment and time.

Meanwhile, speakers provided a range of issues, many of which could be ramped up on the policy agenda quickly.

TRANSPORTATION VISION – LINKED WITH WHAT CANADIANS CARE ABOUT

Speakers observed that many varied transportation needs – mostly policy issues and infrastructure investment – are still treated in an ad hoc way, slowing approvals and exacerbating, rather than minimizing differences.

A simple, overarching, integrating vision for transportation and commitment to it can declare the interdependencies that exist – mode to mode, port to region, productivity to collaborative effort, export competitiveness to a fluid, dependable transportation system. Canada's evolving trade imperative suggests we had best move quickly from "What can we afford?" to "What do we need?"

The vision must encompass the tests of international best practices and regulatory competitiveness with Canada's major trading partners.

Virtually all players see the role of government as continuing to move without delay from command and control to setting standards, enabling, and facilitating the building blocks of creative modal and economic sector interdependence. The good news is the private sector is keen to respond to greater competitive freedoms, to be "unleashed."

Auditing progress on implementing the vision would enable political celebration of progress and identification and focus on next priorities. The industry does not seek political point scoring, but simply progress to a plan. Measuring enables managing.

If declared as the basis for policy decisions, such a vision can provide the foundation for addressing the clusters of policy issues laid out below.

THE ISSUE CLUSTERS

1. Investment needs & constraints

It is difficult to be confident about investment needs before driving hard on productivity gains. The productivity drive has been underway for some years now and has delivered remarkable progress, perhaps most dramatically in rail and air, with major productivity improvements in prices and service.

The changing economy and past under-funding mean there are urgent needs for highways, airports, railways and ports. Yet many obvious investment needs are constrained by policy shortcomings.

Constraints include economically counterproductive and inequitable taxes and fees (airports, railways, ports), borrowing limits on crown entities and excessive hesitancy about public-private partnerships. The VIA example bears singling out. It can indeed claim to have "pursued commerciality", yet it has lived in a political policy fog since its inception. Defining a realistic segmentation of its activity (such as Eastern Intercity, Corridor Intercity and Tourism) would enable government to improve service to the public where the private sector was able to perform the service and, in turn, if there was a need for some portion of crown ownership to continue, VIA should have the policy support needed to succeed.

Input taxes discourage investment and treat the transportation sector as a cash cow, rather than a paying user. Some input taxes are economically indefensible in any circumstance;

during a period of zero deficit, they are incomprehensible and demonstrate either a lack of policy understanding or elementary backbone by government. (Provincial governments have made some important tax adjustments; a strong federal policy declaration could help federal ministers achieve national progress.)

In addition to productivity, capacity, and competitive benefits, most infrastructure investments deliver very substantial regional or national economic benefits. These can be measured and promoted politically.

2. Improved international arrangements by government

Open Sky arrangements and selected infrastructure adjustments are overdue; harmonization of regulations, procedures and fees with the United States and other major trading partners needs more commitment and accountability by the federal government.

Keeping track of Canada's regulatory competitiveness with its trading partners would provide a useful guideline for action.

3. Security, Safety and Labour issues

Despite substantial progress, there continues to be a perceived lack of commitment to full safety and security that minimizes interference in traffic flows.

Competitiveness requires further enlightened collaboration. The Port of Vancouver trucking issue was a recent strong reminder. There is concern that an arbitrated solution might focus on prices, rather than encouraging improved service design and vehicle utilization. Flexibility of service and pricing can best drive system improvements.

Labour force demographics have become a broad-based social and economic issue given Canada's aging workforce and changing expectations. The issue may be most evident today in the inter-city truck driver shortage, but the demographics in other modes is a ticking issue that requires more federal focus to define the issue, create a collaborative gameplan that includes immigration measures and a process that enables industry to participate pro-actively.

Similarly, more federal effort is required to achieve improved consensus on security-driven identification improvements.

In air, and elsewhere, designation of essential workers would help sustain Canada's desire to be seen as a dependable place to do business.

4. Carrier Matters

Carrier structural adjustments, investment and overall performance improvements would not have been possible without the significant deregulation of the last two decades. Yet carriers in all modes (and ports) have examples of further deregulation that is logical and needed.

Canada used to be the envy of other countries for its enlightened regulation in several areas. But it has fallen behind. Airports, air transportation, marine ports and railways all have lists of issues that are holding back the efficiency of their services compared to their international competitors.

The federal government needs to accelerate its commercialization approach for a wide range of facilities and services. Today, if the private sector cannot provide a service at an acceptable rate of return, and if the service is in the public interest, it can usually be provided by the private sector under contract.

Ad-hoc, confusing, non-integrated regulation obviously takes a toll on performance and competitiveness. Financially restrictive regulation both dampens private investment, and keeps more liability with government. This unsound policy environment can be corrected, especially if more effort is taken to promote the positive enabling characteristics of transportation activity nationally, regionally and locally as engines of growth and prosperity. For example:

- The ports of Halifax, Montreal and Vancouver are critical contributors at all levels of Canada's economy, so why are their installations taxed so highly and their new investment constrained?
- Canada's airlines and airports can provide world class service in a cut-throat world market, so why do airports still feel they are treated as public utilities and why are airlines constrained from expanding their markets off shore?
- Canada's railways need major new investment, but ad-hoc regulatory intervention and inequitable taxation has made most of them hold back.
- Canada's intercity truckers can be a greater force in the continental marketplace but need more fluid cross border movements and facilitation of new workforce sources.
- Canada's private sector carriers competing with crown corporations want to make a larger contribution so why does the government compete with them, when the need for the crown is often unclear?

The good news is that airport rents should decline and some railway investment confidence has risen.

5. Shipper matters

Shippers of Canada's imports and exports are seeing exciting trade opportunities but don't know if dependable logistics capacity will be there for them. They are concerned about constraints on transportation facility and carrier investment and services.

Price and service are perennial issues. Shippers recognize carrier constraints, but sometimes observe that carrier pricing is insufficiently responsive and that service may take second place when infrastructure expansion is under way. Some shippers want further regulatory protection.

There is clear evidence that overall carrier performance (measured by price, service and investment) improves dramatically with marketplace freedom. The conventional safety net test for carrier inadequacy has been some form of carrier market failure. An opportunity to re-visit the balance of price and service regulation and carrier investment confidence will occur as current shipper-carrier regulation is renewed in the near future (son of current Bill C-44).

6. Immediate needs in Western Canada

The advent of the new lower-cost industrial and post industrial economies in the Far East is the most dramatic economic event affecting Canada since the FTA and NAFTA.

Western Canadian shippers and carriers are determined to participate fully – and invest – in this unprecedented opportunity. To do so, they must see some rapid regulatory change. This is their most driving concern today.

The needs are not different than what are described above, but <u>the imperative is for the federal government to deliver quickly to help Canada achieve a sustained competitive edge during the Pacific awakening</u>.

A shortlist of issues would include:

- Removal of investment constraints and implementation of stimuli where required
- Determined "interdependency initiative" (all players) to stay ahead of disruptive service or labour issues
- Creation of effective, workable transportation security protocols.

CONCLUSION

Canada faces an extraordinary economic opportunity that will not tolerate a business-as-usual approach. Western Canada is keen for its own gains and to facilitate the participation of the rest of the country.

Minister Lapierre mentioned the political challenge of manufacturing and industrial renewal in eastern Canada while being an aggressive champion for the Pacific gateway.

Western Canadians should be sensitive to such political realities -- but they are not a reason for any pause on embracing Canada's new trade reality and the huge contribution transportation must make to achieve success.

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Federal Transport Policy Meeting with Hon. Jean-C. Lapierre
August 23, Calgary

Participants

1.	Peter Armstrong	Great Canadian Railtour Company
2.	Paul Côté	Via Rail Canada Inc.
3.	Allen Domaas	Fraser River Port Authority
4.	Tom Dufresne	ILWU Canada
5.	Kevin Evans	Retail Council of Canada
6.	Jim Facette	Canadian Airports Council
7.	Bill Foster	Elk Valley Coal Corporation
8.	Joseph Galimberti	Air Canada
9.	David Gillen	UBC Centre for Transportation Studies
10.	Don Haire	Proteus Transportation Enterprises (for bus industry)
11.	Cliff Mackay	Air Transport Association of Canada
12.	Larry Marks	Shell Canada Limited
13.	Rob Martin	Lafarge Canada
14.	Ian McCreary	Canadian Wheat Board
15.	Claude Mongeau	CN
16.	Nick Mulder	Global Public Affairs
17.	Jane O'Hagan	Canadian Pacific Railway Company
18.	Allan Robison	Reimer Express Lines Ltd.
19.	Shawn Smith	RailAmerica Inc.
20.	Cliff Stewart	P&O Ports Canada
21.	Mike Tretheway	InterVISTAS Consulting Inc.
22.	Debra Ward	TROPE Communications (for air industry stakeholders)
23.	Bill Waters	CTA Review Panel Member
	Hon. Jean-C. Lapierre	Transport Canada
	Brian Bohunicky	Transport Canada
	John Dobson	Transport Canada
	André Fortin	Transport Canada
	Richard Maksymetz	Transport Canada
	Dave Murray	Transport Canada
	Mike Shumsky	Transport Canada
	Dennis Apedaile, scribe	Independent (written summary)
	Sarah Bolton, coordinator	The Van Horne Institute
	Ruth Sol, moderator	WESTAC
	Peter Wallis, moderator	The Van Horne Institute
	Observers	
	Monica Blaney	Government of Alberta
	Ross Goldsworthy	CN
	David Miller	CN
	Keir Packer	Government of Alberta
	Paul Raynor	Via Rail Canada Inc.

PRESENTATIONS

ROCKY MOUNTAINEER Vacations™

WESTAC Meeting Calgary, Alberta - August 23, 2005

Unleash the Private Sector!

Tourism has grown dramatically as a generator of economic growth and stability in Canada and around the world. In recognition of this growth the Federal Government established the private sector-driven Canadian Tourism Commission (CTC) to promote tourism travel to Canada. Under Paul Martin and with the strong leadership of the Minister of Industry, David Emerson, the CTC headquarters are being relocated to Vancouver so the organization can better connect with private sector operators. This demonstrates the Federal Government's belief in the power of the private sector and its ability to exploit the potential of Tourism.

Rocky Mountaineer Vacations is all about tourism! We have over 1,200 employees working (directly or on contract) across Canada on tourism vacation-related products and services – everything from package tours to railtours to fly-and-drive and motorcoach tours. We started out in 1990 when we acquired the rights from VIA Rail to operate the Rocky Mountaineer. At the time, the train was a money-losing, subsidized venture. We have now created a successful company that is expanding and growing at a dramatic pace. In March, 1990 we took over an operation from VIA Rail with approximately 7,000 passengers and this year we will carry over 85,000 guests on that route plus thousands more on our new North Coast Explorer in Prince Rupert, all without any subsidy whatsoever.

Minister, the success of my company is a clear demonstration that growth in tourism travel is best left to private sector operators focused on business models that work. Subsidizing the travel of our tourists is simply not necessary, yet that is what we continue to do through the ongoing subsidization of VIA Rail. The Federal Government believes in the private sector's ability to harness the potential of any business. You have unleashed the ingenuity of the private sector on Air Canada, Petro-Canada and CN Rail. Why continue subsidizing the travel of our foreign guests who are more than willing to pay the price of a competitively priced service?

It is time to innovate and to motivate the private sector to invest its money. Instead of spending millions of dollars each month to keep VIA Rail going your government will reap the benefits through increased employment and taxes. Why assume all the risks and problems when you don't have to? In 54 other countries the private sector is investing in all forms of passenger rail, from commuter to tourism services. Governments should focus on regulatory regimes to ensure safety, not the management of businesses. Now is the time for this government to sell off VIA Rail.

Bill C-44 enshrines the status quo and it adds new elements of risk with VIA Rail's ability to take on debt. The experience of Amtrak should be enough to convince you that this will not work. In the end the US Government is on the hook for billions of dollars wasted on projects that didn't work. Instead of the Bill C-44 section of the VIA Rail Act, you should instruct your ministry's staff to sell off every route. Review each route on its merits before deciding on the need to subsidize any of them. The final analysis will show that most do not warrant the investment of taxpayer dollars.

We at Rocky Mountaineer have demonstrated what is possible so there is no risk in trying! Follow your government's already established policies of encouraging the private sector to make the necessary investments and allow people who really understand the tourism business do what they are best at!

Peter R.B. Armstrong, Founder, President & CEO, Rocky Mountaineer Vacations

Speaking Notes – Calgary, August 23, 2005
Paul Côté, President & CEO, VIA Rail Canada Inc.
SUMMARY (Draft August 8, 2005)

An integrated approach to transportation

- The Minister emphasized the need to look at transportation as an integrated system, rather than just a collection of individual modes.
- This approach is essential – it reflects the reality of transportation in Canada today, where all modes must work together to work efficiently.
- This interdependence is especially evident in questions of transportation security – an interdependence reflected in the government's national Transportation Security Strategy.

A framework for integration

- The proposed legislation provides a good framework for integration and intermodal cooperation.
- It sets out a common vision that we can all share -- a vision for a competitive, efficient and environmentally sustainable transportation system that balances public and private sector interests.

The passenger rail perspective

- The framework clarifies and confirms VIA's role as a national passenger service, operating commercially in the public interest.
- VIA serves fundamental public interest objectives, operating as a commercial Crown corporation. We pursue commercial objectives where these serve the public interest and reduce the need for public funding.
- Provisions which confirm VIA's mandate as a commercial Crown corporation will enhance our ability to continue building partnerships and explore new service options, including enhanced tourism products in Western and Eastern Canada, and expanded intercity services in high-demand markets.
- Proposed legislation makes important steps towards clarifying the public interest in maintaining reasonable access to infrastructure for passenger rail.

VIA's commitment

- Passenger rail will play an increasingly important role in building the integrated transportation system Canadians need.
- As part of that system, VIA will continue to focus on enhancing the safety, value and quality of passenger rail services in Canada, while reducing costs and the need for government funding.
- And we are committed to working with our partners throughout the industry towards the goals we all share -- an efficient, competitive and sustainable transportation system that can meet the needs of our customers, and all Canadians.

Speaking Notes
Allen Domaas
President and CEO
Fraser River Port Authority

WESTAC Conference
August 23, 2005

- The Fraser River Port, is located south of Vancouver, and is the second largest port in the country, handling over 36 million tonnes of cargo last year.
- It is also the largest automobile port in Canada.
- Fraser River Port is also a vital container port that has coped with double-digit growth in container volumes every year since 2001, growing from fifty-thousand TEUs to over three-hundred-and-seventeen thousand TEUs last year. Last quarterly stats are up 33 per cent again over last year.
- We've partnered with our operators to upgrade our Surrey properties with two new gantry cranes and a new intermodal yard – and there is room for further development to meet the demands of our growing Asia-Pacific trade.
- The Fraser River Port has some major concerns around the lack of public funding for dredging in the waterway.
- The Fraser River Port is concerned about the need for a new, unified, NATIONAL transportation policy.
- Given the explosive growth in trade with Asia, coupled with the population booms taking place in metropolitan centres like Calgary and Vancouver, there are enormous strains on the entire country's ability to move people and goods past the bottlenecks created by decades of failing to build unified, effective road and rail services that can handle growth.
- The West is getting squeezed. You can only get so many cars and trucks on two-lane roads before the congestion impacts your competitiveness and drives business south.
- Vancouver is already experiencing this, as two metropolitan terminals are struggling to find truckers willing to face the congestion of downtown to pick up containers.
- In the Lower Mainland of BC there has not been any significant investment in critical infrastructure since the Alex Fraser Bridge was opened nearly 20 years ago.
- The present government in BC, have undertaken a significant commitment to upgrade and add, to much of the roadway system in the Greater Vancouver Regional District – but even their best efforts have been hampered by vociferous NIMBY-ism.

- I imagine there is equal acrimony here in Calgary around the issue of major arterial roadways.
- The biggest threat to developing and building integrated and effective transportation infrastructure is that too much veto power has been left in the hands of municipalities and their constituents.
- I don't say this without respect for the democratic process – but there come a time when the needs of the country have to supersede the needs of the individual, just as they might on issues of national security.
- We need a transportation policy which protects and makes paramount, the needs of Canada, vis-à-vis the country's economy, and provides leadership on the development of critical infrastructure.
- With an integrated National Transportation Policy, municipalities would be "off-the-hook" when it comes time to deal with identifying and setting aside needed lands for infrastructure required in the interest of efficient, integrated movement of people and goods.
- One only has to look south to see the benefit of national infrastructure. Where would the U.S. be now, without the network of Interstates which act as arteries for trade?
- The argument from the municipalities and perhaps the provinces, of course, will be that you can not download the cost for building the infrastructure onto them while dictating to them what will be done.
- They are probably right – such a model would not likely be fair. Obviously the policy would require a lot of work in examining and adjusting financial responsibility models, and I certainly don't profess to have every answer.
- No matter who pays - there is still only one taxpayer.
- However, new investments in infrastructure are required if we as a country, are to grow and prosper.
- The taxpayer will also be the beneficiary of the prosperity that comes as a result of developing efficient road, rail and port infrastructure that will allow Canada to meet the opportunities presented by expanding Asia-Pacific trade.
- Perhaps the answers lie in the innovative approach of Public Private Partnerships?
- We're late in dealing with these issues and must act soon.
- A nationally driven vision and policy would be a great leap forward to keeping Canada strong.
- If we fail to act, or simply study our needs to death, we'll drive the opportunity from our shores southward to our U.S. neighbours – and once again scratch our heads and wonder why it happened.
- Thank you.

Tom Dufresne
International Longshore & Warehouse Union Canada

Speaking Notes
WESTAC
August 23, 2005
Calgary

I appreciate the opportunity to participate in today's proceedings and I want to focus my remarks on the Marine Transportation Security Regulations and the Marine Transportation Security Clearance Program.

Let me say from the outset that the ILWU supports security and anti-terror measures. Like all Canadians, we want to make sure we are a well-protected against possible terrorist attacks. We want to protect the Canadian way of life.

We've been a willing participant in all the discussions on security and we are currently participating in work related to the transport security sector strategy.

We commend the Minister's commitment to establish a national transportation security strategy that will see a stronger and enhanced security network across our nation.

We are fully supportive of your government's efforts to make security an integral part of our transportation system. We are also encouraged by your comments indicating the provision of additional law enforcement resources to protect our coastal waters. We strongly believe further law enforcement presence is an integral part of a more secure waterfront.

I believe we bring a valuable perspective to discussions with government because we have an intimate knowledge of the waterfront and how it works. And it is our perspective that gives rise to ongoing concerns with Transport Canada's proposals for port security.

As you know, we are not alone in our concern that the regulation requires more work. Most of the players on the Pacific Coast -- everyone from the BCMEA, to the Vancouver Gateway Council --have raised reservations and concerns about Transport Canada's plan. The Ministers of Transport from the western provinces have raised concerns too. These are well-known, especially to the Transport Canada officials who have the job of drafting security regulations.

We are concerned that the proposed regulation may not be the most effective way to secure our ports.

- Ignores gaps like uninspected empty containers, absence of waterside security, inadequate law enforcement resources and dedicated ports police, small ports, a supply chain that is basically unprotected.
- When it comes to emphasis and where to get the biggest bang for your security dollar, Transport Canada's own analysis shows great vulnerabilities widely exists in Canada's transportation sector, far greater than in the marine sector where Canada is a world leader in security.
- Confuses law enforcement with national security.

Most Canadians would share the concern of stakeholders on the west coast about some provisions of the draft regulation that do not enhance the things we value as Canadians, but rather detracts from them. In some cases the draft regulation is inconsistent with the rule of law in Canada.

- Creates an unacceptably low standard of "reasonable suspicion" as grounds for denying employment.
- The absence of an independent appeals procedure. Officials insist that Transport Canada's judgment in these matters is final and unassailable. Once Transport Canada decides someone is a security risk, there is no recourse. Why is it so important to our national security that Transport Canada be both the judge and jury when it comes to assessing background checks on people who work at our ports. With the greatest respect, no one is perfect. Mistakes do happen. And when they do, the stakes are high...the ability to earn a living hangs in the balance. That is why an appeals procedure that is independent from Transport Canada is so important.
- Background checks proposed in the draft regulation represent one of the most far reaching incursions into the personal backgrounds of private citizens ever seen in Canada. Because our membership is so ethnically diverse, this amounts to officially sanctioned racial profiling.

Many in the industry have expressed concern that the regulation will interfere with the efficient movement of goods and people through our ports. This is something that we cannot allow to happen, especially in the competitive environment that we face on the west coast.

In spite of these concerns, Transport Canada officials have been reluctant to entertain changes to the draft regulation. Officials have been willing to attend meetings. We've been meeting for more than two years. But ideas and suggestions are frequently rejected. By way of example, Transport Canada recently released an update of the proposed security regulation at the end of June that contained little more than a change of name for the program.

By refusing meaningful dialogue with stakeholders, Transport Canada officials are unnecessarily delaying improved security.

In closing, I believe that with goodwill and openness to ideas we can have a security regulation in place that is workable, effective and respectful of Canadian values within six months. I also want to make it absolutely clear that the ILWU will defend Canadian values and guard against terrorist threat with equal vigor.

Thank you.

Speaking Notes
K. Evans
Vice President, Western Canada

Retailers big and small were hard hit by this summer's withdrawal of services by truck owner-operators.

It is not possible to quantify retailers' total losses, nor the long-term impact on the Port of Vancouver's reputation for reliability.

But on both counts, there is no question that the damage has been severe.

Members estimate that the incremental costs for larger retailers who were able to affect work-arounds could easily hit $100 million in transportation, demurrage and contingency expenses to divert containers to other inland points.

That is over and above the immeasurable cost of lost sales, significant markdowns to move out-of-season inventory, cancelled orders and diminished consumer spending in Western Canada due to the negative impact on the economy overall.

Small and medium-size retailers with fewer options were at the mercy of the dispute.

There is nothing more imperative in retail supply chain management than reliability.

It takes just one weak link to trigger a retailer's sensitivity about reliability.

And in the eyes of the Canadian retail community, as thousands of containers piled up stranded on the docks in the heat of July, the Port of Vancouver's short-haul trucking network was revealed to be just such a weak link.

The issues behind the dispute were essentially those that led to a similar disruption in 1999.

As a trading nation, Canada cannot afford to apply a band-aid and have the same issues reappear yet again.

That is why Retail Council is very supportive of the federal/provincial Task Force established in the aftermath of the work disruption and believes all port stakeholders need to maximize this opportunity to understand and deal decisively with issues that may threaten the integrity of this vital link in our national transportation infrastructure.

Our submission to the Task Force delves into some of the port terminal operational inefficiencies we believe contributed to the trucking disruption such as long lineups waiting to get into the terminals and the peaks and valleys of daily container traffic that clearly suggest the system isn't working to optimum capacity… and the urgent need to move to a 24/7 operation..

But this afternoon, the focus of our members' concern is the federal government's solution to the dispute… because, while our members were relieved to finally see government action and the containers moving once again, they believe this "solution" has solved little and has in fact created several serious, though undoubtedly unintended and unanticipated, consequences.

On July 29th, the federal government issued an Order In Council (OIC) which exempts the parties in the Vancouver port dispute from the Competition Act for 90 days enabling the independent owner operators and the trucking companies to price-fix freight rates.

On August 2nd, the Vancouver Port Authority imposed a mandatory 90-day truck licensing system that compelled all trucking companies to pay owner operators the rates outlined in the Memorandum of Agreement (MOA) issued by facilitator Vince Ready.

Our members believe that is rolling back the clock on transportation deregulation.

The MOA through the imposition of a schedule of freight rates denies the benefits of a competitive marketplace to the trucking companies and by extension, their customers (retailers - among others).

I'm going to quote Dr. Trevor Heaver, Professor Emeritus at UBC's Sauder School of Business – a professor of transportation and logistics for 38 years specializing in marine studies:

"The concept of uniformity of prices is anathema to efficiency in urban container logistics. Better managed vehicle utilization can provide good compensation to truckers at reasonable costs to shippers. Let us ensure that the 90 day fix does not lead to some conditions that establish inefficient constraints on an efficient long-run system."

Our national transportation policy is founded on the basis of a competitive marketplace and the effect of market forces in determining the costs associated with operating in that marketplace

We respectfully request, Minister, that you take a second look at the genie that is being let out of the bottle here, and rescind the Order in Council that requires all trucking companies to sign the current two-year VPA licensing agreement and the two-year MOA.

Transportation Policy Forum

Presented by Jim Facette, President & CEO
Canadian Airports Council – August 23, 2005 (Calgary, AB)

CAC Issues

- Airport Rent
- Airport Legislation
- Open Skies
- Passenger facilitation

Airport Rent

- Complete changes to airport leases
  - Article 4
  - Working with department since shortly after May 9th
  - Expect to have final legal document mid-September
  - Signatures on the "dotted line" probably by end of November/early December

Airport Legislation

- 2003 Bill C-27 (old)
- Minister has publicly stated that legislation is in the cards
- CAC official position on legislation
  - It is not necessary, airports are governed by leases. If there is to be legislation, airports with less than 2 million passengers should not be covered.

Airport Legislation

- Non-partisan issue
- CAC expects an airport Act, either in the Fall of 2005 or first half of 2006
- Standing Committee on Transport has yet to complete their work

CAC Expectations in Airport Legislation

- CAC ongoing talks with Transport Canada
- C-27 "Light"
  - Less prescriptive
  - Broad based
  - Touching less airports than C-27
- Legislative coverage
  - NAP policy statement
  - Governance
  - Financial reporting
  - Airport Activities
  - Roles of Responsibilities

CAC Expectations in Airport Legislation

- Applicability
  - Depend on airport size
  - Basic provisions
  - < 2 million pax little
  - > 2 million pax greatest degree of applicability
- Governance
  - Expect changes to Board nominations process might be necessary for some airports
  - Many AAs changes policies past two years
  - Some AAs may not agree with proposed changes

CAC Expectations in Airport Legislation

- Financial reporting
  - 8 majors, little difference to current lease requirements
- Airport Activities
  - Could be a area where some AAs may differ with Transport Canada
  - Detail will be important
- Roles and Responsibilities
  - Clarify who is responsible for what, especially with the Minster

Open Skies

- Bilateral discussions “exclude” airports
- CAC believes this must change
- CAC and interested airports must have equal status as airlines during bi-lateral negotiations
  - Airport represent the community, airports bring choice to consumers

Passenger Facilitation

- Post 9/11 environment
- Safe facilitation of passengers is the goal
  - Ease of passenger travel linked to airports ability to attract new carriers (SPT)
  - ITDF, Tail-to-tail of bags (US)
  - Issues on the horizon
    - API-plus and API-60 (travel in to USA)
    - Potential to cause longer delays

Thank you

Bill Foster
Senior Vice President
Elk Valley Coal Corporation
(Notes from Meeting)

EVCC OVERVIEW

Elk Valley Coal Corporation is comprised of Canada's senior metallurgical coal mining properties, with five mines in the Elk Valley of British Columbia and one in west-central Alberta.

At present we are the world's second-largest exporter of metallurgical coal, capable of supplying more than 28 million tonnes of coal products annually to the international steel industry. Elk Valley Coal is owned through a partnership arrangement between Fording Canadian Coal Trust and Teck Cominco Limited.

Let me give you some numbers that capture the volume of coal that we ship every year:

1) In 2004 EVCC exported 22,700,000 mtccs from the ports at the Westshore and Neptune. This coal was railed to the ports in approximately 1,900 trains, equivalent to 5.1 trains per day.
2) In addition, we also shipped about 3 million tonnes eastbound to Thunder Bay Terminals or direct to North American Customers. This is equivalent of 275 trains.
3) EVCC's expectation for 2005 is to move 23,500,000 mtccs westbound from the Elk Valley (on CP Rail), in addition to 1,800,000 from the Cheviot (CN), for a total of about 25.3 million mtccs. Our plans include moving approximately 3,000,000 mtccs to eastern Canada and the United States.
4) Our long-term goal is to consistently export 27-28 million tonnes through the ports of Westshore and Neptune, with additional volumes based on market demand. This equates to about 2,200 trains per year into the Vancouver gateway (or 6 loaded trains per day) - 85 to 90% into Westshore.

- Canada vs. Australia route differences
- 5 loaded trains/day in '04, increase ongoing.

Challenges:
- rail shortfall due to capacity - reduced inventories
- cycle times increase 10% recently, 20% over time
- vessel demurrage (?)
- transfer delays for CP over CN tax
- want quality service for current cos & to attract future customers
- want aluminum cars
- however, railways are working to improve service equipment (cars/power)

Roundtable Meeting
The Honourable Jean Lapierre, Minister of Transport
Tuesday, August 23
12:00pm – 3:00pm
Greenwood Inn
Calgary, Alberta
Statement on behalf of ACE Aviation Holdings
Represented by Joseph Galimberti, Director of Government Relations

Good afternoon Minister. It's a pleasure to see you this afternoon in Calgary and I would like to thank you for taking the time today to participate in this roundtable session.

I am here today on behalf of ACE Aviation Holdings which, together with its subsidiaries, provides schedule and charter air transportation for both passengers and cargo to more then 150 domestic and international destinations. Additionally, we provide maintenance, ground handling and training services to other airlines.

By grouping Air Canada operations into subsidiaries of ACE we have revolutionized the way we do business. Our customers are noticing, and it is showing on our bottom line.

In much the same way, it is our firm belief that time has come to revolutionize the way the Government of Canada approaches air transportation policy. We can no longer afford to approach our airports as we would federal infrastructure projects and we can no longer afford to treat our domestic airlines as public utilities. We must view them as engines of economic development and growth. Simply put, domestic transportation policy can no longer be viewed in isolation, but must be incorporated into the larger economic policy framework in the federal context.

There is perhaps no better example of an upcoming opportunity to adopt this thinking then the pursuit of an expanded open skies agreement with the United States, an initiative which is completely supported by ACE Aviation. By liberalizing our regulatory framework with the United States, we grow exponentially the market opportunities for Canadian carriers, we provide business travelers and shippers unprecedented access to our largest trading partner nation and to international points beyond, and we generate economic growth and opportunity domestically.

During the limited time I have today, I will seek to briefly quantify the benefits of just one, relatively minor and non-controversial, potential component of a revised agreement with the United States, a fully liberalized 5th freedom regime, keeping those three points in mind.

Firstly, through such a regime, Canadian carriers would gain access to a market size approximately tenfold that of Canada's. This reality is perhaps best expressed in terms of passenger volumes. The top five Canadian international markets – excluding the United States – represent only 52.6 percent of the top 5 U.S. city of origin to international markets.

The following example will help put this into perspective:

The Canada to the UK and Canada to France markets, combined, are smaller then the New York to the Dominican Republic market by approximately 203 passengers a day.

As such, it goes almost without saying that access to the shear number of passengers in the U.S. market represents an enormous opportunity for Canadian carriers – and ACE Aviation is well positioned to capitalize.

Secondly, it again goes almost without saying that an open skies agreement will see increased flight frequencies to points in the United States, giving Canadian businesspeople and shippers greater flexibility in their operations. Less obvious perhaps is the increased range of travel and shipping options which will be available to third country international destinations. In this regard, our recent expansion into Latin American markets, with which the government is familiar, is instructive. While current market conditions are such that we cannot financially justify offering daily nonstop service to some of the cities we serve, an unfettered portfolio of fifth freedom rights, and as such access to U.S. originating passengers, would allow Air Canada to evaluate opportunities to complement current non-stop services with a one-stop, same plane service into those cities, resulting in a daily presence and increasing opportunity for Canadian participation in those markets.

And finally, fifth freedom services are especially powerful economic generators for airport communities themselves. Research commissioned by Canada's three largest airports would indicate that a single fifth freedom flight, operated by a Canadian carrier through the U.S., would result in up to 175 direct jobs and 191 indirect jobs – a total of 366 jobs. As such, with even a modest number of new flights operated as a result of a liberalized fifth freedom regime, the potential impact to the domestic economy is self-evident.

Moreover, if additional components of an open skies agreement which would allow Air Canada to maximize our Star Alliance partnerships, such as the granting of anti-trust immunity, are implemented then one could reasonably assume the benefits of an open skies agreement would be spread more evenly across our network, allowing "secondary markets" to benefit fully from an increase in flight operations.

As you can see with even this extremely limited example, considering domestic carriers as part of a larger economic policy in the Federal context and positioning them to succeed, through enhanced regulation and expanded international frameworks, serves not only the domestic air industry but also Canadian society as a whole. There are several other examples of policy which can be implemented and yield favorable results not only for our operations but also for the communities we serve and for the economy at large. I look forward to discussing these with you, your office and your department in the weeks and months ahead as we work towards a fully integrated air transportation policy for Canada.
Thank you for your time.

Air Cargo Policy – Moving Forward and New Directions

David Gillen
Director, Centre for Transportation Studies
Sauder School of Business
University of British Columbia

Why Bother?

- Three times growth of GDP –far larger than passenger!
- Larger economic impact for same size aircraft than passenger
- Critical for value-added international trade strategy

General principles

1. Separate passenger and cargo negotiations
2. 6^{th} freedoms are a natural way of doing business, allow 6^{th} freedoms for cargo with no restrictions
3. Air cargo should be fully liberalized rather than having cargo rights negotiated on a case by case basis; the status quo inhibits economic growth, opportunities and trade.

Immediate Initiatives

1. complete negotiations for a new 'true' Open Skies Agreement with the US
   a. co-terminalziation must be on the table and permitted
   b. open 5^{th} freedoms for cargo
   c. permit 7ths for cargo

Strategic Initiatives

1. Air cargo should be put under GATS
2. Air cargo (and passenger) policy should not ignore that air policy does not link airports, it links communities. Therefore,
   a. Change sufferance bonds to be multi-modal not uni-modal to facilitate logistics centers and reduce logistics costs
   b. Air policy cannot ignore the linkages between air cargo and expedited truck.
3. Freight security – expand existing NEXUS programs to facilitate flow of freight (e.g. secure shipper with a Nexus card), program now creates non-trivial barrier to entry

Let me reiterate the need for timely and open access national and international air cargo (and passenger) statistics, why?

- Transparency and accountability
- Evaluate policy and proposed policy changes by ourselves and others
- Forecasting and infrastructure planning (airports, ATC)
- Safety & security/Environmental issues
- Benchmarking and industry performance
- Facilitating allocative, productive and dynamic efficiency
- Management requires measurement!

David Gillen, Professor &
Director, Centre for Transportation Studies

Don Haire, Proteus Transportation Enterprises

CANADIAN BUS ASSOCIATION

Bill C-44 contains the Via Rail Canada Act, which formally confers upon Via Rail statutory status as a Crown Corporation. The Via Rail Canada Act sets out a mandate for Via Rail that will enable it to price its services without recognition of the fact that it is an on-going recipient of substantial federal subsidies.

The intercity bus industry is deeply concerned that Via Rail will exploit its new status and compete unfairly against other modes of public transportation by setting fare structures substantially below its costs. (As it now stands, Via Rail discounts fares by more than 60% below costs.) In cases where this occurs, the only remedy that is now available to its competitors, be they bus or airline operators, is the unfair competition provisions contained in the Competition Act. In fact, this is no remedy at all. Even presupposing that the government was willing to pursue a criminal prosecution against its own Crown, the onus of proving criminal intent 'beyond a reasonable doubt' makes the Competition Act essentially inoperative in such instances. Via Rail can continue its pricing practices without having to worry about legal retribution.

In our opinion this is poor public policy, particularly when one considers that Via Rail finances its aggressive fare discounting with on-going subsidy support from federal tax dollars. In this regard, successive federal governments have ignored the past recommendations of their own blue-ribbon expert panels that have urged Via Rail be operated on a basis more reflective of its costs.

To place this issue in context, consider that Via Rail accounts for less than 1/10 of 1% of Canadian domestic transportation activity but has received one-third of the $3.8 billion in federal transportation subsidies dispensed over the past five years. In fact, Via Rail subsidies during this period exceeded the federal subsidies granted through highway agreements by 150% ($1.25 billion versus $0.5 billion) despite the fact that domestic road-based transportation activity is roughly 700 times larger.

This begs the question, what public purpose is served by this disproportionate level of federal government support for passenger rail, essentially in central Canada?

Via Rail subsidies cannot be depicted as an environmental initiative because successive federal studies have shown that intercity passenger rail is more damaging to the environment per passenger-mile than either intercity bus or even private car travel. They cannot be depicted as a policy that is designed to address regional economic disparity because 95% of Via Rail's passenger traffic occurs within Ontario and Quebec. They cannot be depicted as a social support initiative because the largest segment of Via Rail passengers come from the wealthiest 20% of Canadian households.

If the Government of Canada is going to maintain this subsidy policy it must, at the very least, provide appropriate remedies to private sector parties that may be unfairly impacted. As previously noted, the Competition Act is an ineffective tool. What we propose is that unfair competitive practices by Via Rail should be dealt with by the Canadian Transportation Agency in a manner that is consistent with the dispute resolution procedures already available for freight rail issues.

WESTAC / Van Horne Institute Round Table with Minister Lapierre on Transportation Policy

Calgary, August 23, 2005

Speaking Notes for Cliff Mackay, President & CEO
Air Transport Association of Canada

First of all, allow me to congratulate both Westac and the Van Horne Institute for putting this forum together. I think we'd all agree that these type of 'big picture' discussions are very useful to both operators of transportation services and policy makers, alike. So thank you to these two fine institutions for bringing us together once again. And thank you, Minister for participating. We intend to make good use of your time to – hopefully – leave you with some practical advice and feedback on how to improve the national transportation system in Canada.

I would suggest that it's a system guided by a three-tiered policy framework; safety and security, social policy goals and economic policy goals. I will focus my comments on how we can improve transportation policy to better achieve government's economic policy goals but allow me to begin by commenting briefly on the first two transportation policy goals.

When it comes to safety and security, Minister, I'm happy to inform you that Canada's air service providers believe you and your government are largely heading in the right direction.

The government took a good step through the introduction Bill S-33, facilitating many of the Safety Management System (SMS) protocols our members have developed. Going forward, a few amendments are required to ensure that problem solving becomes the focus of safety regulations, as opposed to the traditional "command and control" approach. Congratulations on both the spirit and substance of your efforts.

As to security, again, the air sector congratulates you on your recent announcement creating the 'made-in-Canada' Passenger Protect program. More broadly, the tremendous amount of work and progress made since 9/11 is impressive. We still have major challenges but we are heading in the right direction. I am looking forward to our next meeting on this matter on September 27. However, one area that I must continue to flag for you is the ATSC. We continue to face a situation in the air sector where our customers are paying a huge share of the cost of security while in the other sectors the costs are being borne by the tax payer. This is not only inequitable but we believe that it is bad transportation and economic policy.

As far as broad social policy goals are concerned, we recognize, Minister the imperative you face to ensure that Canadians have access to safe, efficient, affordable and competitive travel options for both themselves and their products across all modes. To that end, we applaud your continued support for ACAP, the Airport Capital Assistance Program, designed to assist Canada's smaller regional facilities with major infrastructure expenditures and the recent decision not to proceed with CARS 308. Clearly, all communities have legitimate goals to grow and diversify their economies and we recognize that airport infrastructure is an important component of such strategies. We will continue to work with you and the CTA on this and other social policy matters.

Let me now turn to economic objectives. It is obvious that efficient transportation services are vital to our economic objectives. Unfortunately, I must tell you that the current policies of the Federal Government are more a problem than an inducement to the strong, efficient air transportation sector.

Let me begin with the tax regime on commercial aviation. Put simply, Minister, I would respectfully suggest that the current system is punitive in nature and works as a disincentive to the productivity and competitiveness agenda which you and your cabinet colleagues wish to pursue.

The aviation jet Fuel Excise Tax continues to be a significant and unfair drain on the stretched resources of commercial air carriers during this period of unprecedented oil prices. The government of Canada is soon expected to surpass the $100 million mark in annual Jet Fuel Excise taxes from the 4¢/litre rate.

I recognize that you took a significant step forward with recent announcements concerning airport rents but much more is needed. We respectfully suggest these and other taxes are the wrong approach because they tax the industry's inputs. Items such as fuel, security, and airport services are fundamental to our ability to do business. Treat us like any other industry, tax the outputs: profits and wages, not the inputs.

Second, help us develop new markets through trade negotiations. We congratulate you on your intentions to move forward with exploratory liberalization talks with the U.S. and encourage you to ensure that you achieve a balance of benefits in those discussions to ensure that Canadian carriers are given meaningful opportunities to grow in the US market and beyond. To do so, of course, we also require harmonization on matters such as security screening protocols, improved pre-clearance levels and a host of other vital infrastructure items which will ultimately determine the level of success that Canadians can expect in a liberalized environment.

A separate but related issue is the current governance structure for Canada's major airports which needs improvement. There needs to be a better balance of stakeholder interests, and a legislated basis for rate setting and dispute settlement to ensure that airports are as responsive as possible to customer demand to ensure they can compete with American facilities. We look forward to seeing these principles reflected in the new Airports Act.

Another important consideration is labour. Labour in the private sector has made a significant contribution to our industry's survival and restructuring in the last few years. Productivity gains in many companies have been impressive. However, the notable exception is labour in the sole source service providers. Here labour has continued to behave as if nothing has changed and cost reductions and productivity improvements have not been evident. Labour needs to become a stronger contributor to our collective efforts, even though they are somewhat protected from the market by their "monopoly" position. Labour in the service providers must be subject to the same market forces as their colleagues in the commercial market and other players. Two suggestions could improve the situation. First, the designation of key employees in the service providers as essential workers would be very helpful. Second, the implementation of provisions that require arbitrators to consider market and other economic factors in determining awards would significantly redress the imbalance that currently exists. Such a provision already exists in the Act that privatized the CN.

I would also urge you and your officials to follow the review of Part III of the Labour Code closely and to ensure that provisions dealing with items such as overtime are not restricted. To be truly competitive in world market, air service providers in Canada require maximum flexibility and productivity from labour – the single biggest line item expense we incur.

Clearly, there is much to consider as you work with your colleagues to improve Canada's productivity and competitiveness. We hope that you will consider these and other suggestions as a means by which to ensure that the transportation sector is part of that success story.

Thank you.

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Dr. Larry W. Marks
Vice-President
Marketing & Transportation

August 23, 2005

The Honourable Jean-C. Lapierre, P.C., M.P.
Minister of Transport
Government of Canada

Dear Minister,

Re: Transportation Challenges and Opportunities

Thank you for the opportunity to meet today and discuss some important transportation challenges and opportunities for Shell Canada and for Canada's petroleum industry.

By way of background, Shell Canada is one of the country's largest integrated petroleum companies, producing natural gas, natural gas liquids and bitumen. It is also the world's largest producer-marketer of elemental sulphur, largely exported to Asia-Pacific and USA markets. In addition, Shell Canada is a leading manufacturer, distributor and marketer of refined petroleum products.

Transportation is critically important to the petroleum sector and the expenditures for moving our products to market are sizable. A few key figures for your consideration:

- Shell's annual upstream oil and gas Canada-wide surface transport budget for natural gas liquids and sulphur, is $250 million (excluding pipeline tolls).
- The refining and marketing division spends another $150 million on surface transport.
- These costs are split into $110 million each on trucking and rail, with the balance spent on marine shipping / terminals.

Surface transportation is a prime enabler to our industry, and efficient movements between production sites and customers are vital to developing Canada's rich energy endowment. I believe that by working together, industry and government can achieve the safest, most efficient and most reliable transportation infrastructure in the world. Policies need to be developed that support transportation infrastructure investment and ensure cooperation among various levels of government.

Here are some of the ideas that Shell Canada has for achieving this goal:

<u>Truck Operators:</u>
Trucking capacity across Canada, but notably in the west, is currently constrained by the supply of qualified truck operators. Experienced operators are retiring at the same time as demand for road transport is rising. Younger people look for the best career opportunities and trucking is not seen as an attractive option for many.

Industry and government have brought forth several proposals, e.g. an apprenticeship program, graduated licensing for Class One drivers and Federal-Provincial coordination of immigration programs for foreign drivers. While some of these programs may seem initially expensive, the cost of market losses and slower resource development is much higher. I encourage more action in this area.

Many shippers view trucking as a commodity service with little differentiation except price. As a result, some truck owners exhibit an inadequate focus on safety, operator competency and equipment condition. At Shell Canada, however, we believe there is more to a qualified trucking service provider than simply customer service and price. Development of new programs to increase the supply of qualified operators and equipment must be underpinned by a motive of *"nobody gets hurt"*.

Rail Service:
Shell Canada is supportive of CP Rail and CN's recent announcements for more co-production and track sharing. While this has helped in the short term to alleviate pressure on the rail system, especially on the vital routes between the Western Canada Sedimentary Basin and Vancouver port, we believe that more investment in track, locomotives and crews will ensure a longer-term solution. Of these, track is currently the most critical to remove the bottlenecks.

We support a business and fiscal environment that enables the major railways to invest in more infrastructure to move products to markets, especially export markets via the west coast. This is best accomplished when railways have more assurance of opportunities to earn a return on investment and where running rights will not be expanded to include non-commercial, forced access.

West Coast Ports:
As part of Shell Canada's growth aspirations, imported materials for major construction such as the oil sands and the Mackenzie Gas Project will increase. The ability to offload at port and rail/truck to final destinations as efficiently as possible is important to development of Canada's resources.

In addition, these ports are continuing to see more activity as export points for products such as sulphur and chemicals. In the future, significant amounts of Alberta's oil sands bitumen and synthetic crude could be exported through these ports. Competitive ports, especially Vancouver, are essential to the petroleum sector. Ports will need an enhanced ability to borrow money to fund necessary improvements or else receive more federal investment

Road Safety:
Safety on the road is a key occupational concern for the upstream petroleum industry, e.g. Workers' Compensation Board of Alberta reports that 35% of fatalities in the oil & gas sector result from motor vehicle crashes. The Canadian Petroleum Safety Council and the Alberta Centre for Injury Control and Research have developed a program to deal with this unacceptable situation. Government support to fund this program should be considered, as well as developing similar programs nationally.

Thank you for taking the time to meet with me today and receive this overview of the transportation / infrastructure challenges and opportunities that we face at Shell and where we might work together. I would welcome the opportunity to meet you again to discuss these further and if I can be of any help to you or the Ministry of Transport, please contact me at your convenience.

Sincerely,

Larry W Marks

cc: Honourable Dr. Lyle Oberg, Minister of Infrastructure and Transportation, Alberta
Mr. Greg Stringham, Vice President, Markets and Fiscal Policy, CAPP

Cement

August 19, 2005

The Honourable Jean C. Lapierre
Minister of Transport

Lafarge Canada has substantially three issues of concern with respect to transportation and our continuing ability to move goods to the market place:

1. Canada's transportation infrastructure
2. The Cost vis-à-vis the service in rail transportation.
3. The Cost of Fuel.

Canada's transportation infrastructure

- Canada's northern infrastructure of roads and railways
- Twining of Trans Canada highway, and expansion of rail capacity
- Access to deep water access (dredging, harbour maintenance, etc.)

The Cost of rail service

- If the railroad is a market driven enterprise, then it should be required to respond to competitive market forces, and offer its services through a contract as do all other industries except public utilities. The railroad should not be given the benefit of both a contract (consensual) and a tariff (imposed) regime.
- The railroads have little/no interest in firm commitments with respect to the services offered.
- Although the cost of service is considerable, the service provided is less than exemplary and the railroads appear undeterred by this fact.
- If the railroads wish to continually add costs, there should be some performance criteria. If there was, Lafarge Canada would be willing to pay the rates. However, Lafarge Canada has challenges paying more, for a consistently lesser quality of service. This lesser quality of service includes cars lost, misrouted, delays at interchanges, all with no penalty to the railroad.
- There are no penalties that one can impose on the railroad because the transportation contract is nothing more than a line-haul agreement for a commodity at a particular rate. The service levels are increasingly controlled by tariffs and tariffs are ever changing and non-negotiable.

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LAFARGE
NORTH AMERICA

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The Cost of Fuel

- As the cost of fuel increases, and there is no evidence that the cost of crude will decrease in the near term, the impact upon transportation is rapidly becoming disturbing
- This is particularly relevant in Western Canada where distance has a huge impact on the fuel consumed.
- As the price of fuel continues to rise, if no countervailing measures are brought to bear on that price, there is a real possibility that the high cot of transportation will restrict the ability of the producer to ship goods and thus limit Canada's economic competitiveness.
- If the producer is restricted in this regard, there will be a negative impact on the economy as a whole.
- Lafarge Canada would recommend that the Minister of Transport along with the Minister of Finance consider rebating a portion of the excise tax that the federal government collects on fuel, to industry, specifically those entities, which buy transportation service.

Yours sincerely,

Rob Martin
Manager of Transportation

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The Canadian Wheat Board Perspective on Bill C-44 – An Act to Amend the Canada Transportation Act

Transportation, and in particular rail transportation, is very important to western Canadian farmers. Rail freight costs are the single largest expenditure for prairie farmers in course of growing and marketing their crops. Adequate levels of railway service are important in ensuring that grain moves to port in a timely manner. The Canadian Wheat Board (CWB) actively represents farmers' interests in promoting a low cost, competitive rail transportation system.

Railway competition is important in ensuring competitive pricing for railway services for farmers. Effective transportation legislation can create a market that reflects a competitive environment where competition does not exist naturally. In the absence of effective legislation and regulation, the railways enjoy a high degree of market power and are able to use this market power against all rail shippers, and particularly against farmers. The railways' market power exists because grain is captive to movement by rail. The captivity is due to the quantity of product being shipped and the distance that the product must be transported.

From the CWB's perspective, the direction that is clearly required is to limit railway market power and create competitive alternatives for shippers. There are four specific provisions that we see as a first step in this direction – these being running rights, the level of service provisions, the revenue cap, and infrastructure protection.

The CWB supports the implementation of reverse-onus running rights. We have joined the other bulk shippers in Western Canada in a common position to support the implementation of reverse onus running rights. The enhancement of the running rights provisions will increase railway competition in Canada. Bulk commodity shippers require increased competition because they are more likely to be more captive to one railway. Bill C-44 does not contain any amendments to the running rights provisions in the current legislation even though such amendments would appear to be consistent with the National Transportation Policy's objective of promoting competition in the transportation sector. The lack of running rights alternatives is particularly concerning given the comments made by Prime Minister Paul Martin during his leadership campaign in Edmonton where he said "There is no reason, if you pay a fee, why two railways cannot operate down the same track".

The level of service provisions provide an avenue for recourse against the railways in the event of poor railway performance. The level of service provisions ensure that the Canada Transportation Agency will determine the appropriate level of service as opposed to the railways being able to determining service levels unilaterally via tariffs. The amendments contained in Bill C-44 propose to remove the requirement for the shipper to demonstrate substantial commercial harm when seeking a remedy under the provisions. This is a positive development.

The revenue cap has been retained under Bill C-44. However, there has not been any provision for a railway costing review, aside from a review of hopper car maintenance costs resulting from a transfer in the ownership of the federal hopper car fleet. The CWB believes that a complete costing review should be undertaken, regardless of whether there is a transfer in ownership of the federal hopper cars. The bottom line is that the legislation provides protection to railways for inflationary effects on the prices of their inputs, but there are no provisions for sharing the railways' productivity gains with shippers. The closure of branchlines and the resulting rationalization of the grain elevator system has played a major role in allowing the railways to realize these productivity gains. However, these same developments have also increased producer costs in other areas, such as increasing trucking costs. This is a one-way street that is no longer acceptable.

The CWB has undertaken various research activities with the leading railway costing expert in Canada in order to quantify the railways' productivity gains. The research shows that during the 2002-03 crop year, prairie farmers were paying freight rates that provided the railways with a contribution of 47 percent of the railways' volume-related variable cost. This is well above the 20 percent contribution that was considered both adequate and reasonable under the Western Grain Transportation Act.

The CWB is also concerned over the inferior protection offered to railway infrastructure located in rural areas when compared to railway infrastructure located in urban areas. The railways have a twelve-month notification period for urban trackage but only a 60-day notice period for rural infrastructure.

The protection of rural rail infrastructure is important. Several regional groups have realized the importance of retaining rail infrastructure on the prairies and have acted in response to trackage that was slated for abandonment by a class one railway. These regional groups have invested their own resources and have successfully retained these rail lines as viable operations. However, without adequate protection, the class one railways would be able to abandon trackage without any potential investment groups having sufficient time to act so as to preserve the line. Once a railway track is abandoned, it is cost prohibitive to return the line to service, and any potential the line had is lost forever.

In addition to the four previously described issues, the CWB has concerns relating to how Bill C-44 changes the tariff provisions in current the Act. The bill changes the language around how various charges apply to shippers. The wording in the bill has the effect of making tariffs more binding in the sense that any ancillary charges imposed by the railways become, in effect, the law of the land. The net effect of this part of the bill is that the railways' market position against shippers is strengthened.

The CWB asks that Bill C-44 be amended to address these shortcomings.

Respectfully submitted,

Ian McCreary
CWB Director, District Six

Claude Mongeau
Executive VP and Chief Financial Officer, CN
(Notes from Meeting)

Congratulations to WESTAC and the Van Horne Institute for taking this initiative and thanks to the Minister for reaching out to the industry and being prepared to meet and ask for input on policy matters.

It is key to emphasize the importance of transportation infrastructure for Canada as a trading nation. NAFTA access has obviously been crucial for Canada and now the Asian boom is critical, especially in the West. Transport is essential for achieving the sort of competitive advantage that Canada needs to be a player in future.

Four Points:

1. Transport Renaissance
   Transport involves many modes; rail has an important role to play and an impressive base to work from. The renaissance of the past 15 years, enabled by some deregulation has made possible in Canada probably the two most efficient railways in the world. CN and CPR have achieved very dramatic productivity gains that has made it possible for prices to decline approximately 40%. At the same time service has improved—and so has safety, although there is still scope for improvement there. The federal government should take some credit for this renaissance; it is a very impressive story that can be linked to an improved regulatory environment.

2. Best Policy Direction
   Going forward, it obviously makes sense to build on success, to stay the course with deregulation. This is especially important as the rail industry enters a period of increased investment needs in lines, in terminals, in cars and fuel-efficient locomotives. For these investments to occur, there needs to be a positive investment climate which means a marketplace approach by governments.

3. Concerns with Bill C-44
   In that light, CN has some significant concerns with Bill C-44. In many ways, it turns the clock back. CN has no problem with the idea of improving regulatory safeguards, but these can't be restrictive of normal business operations and should be targeted at real problems. Real problems need to be identified that might need addressing. There are two worrisome examples in the Bill of regulatory ideas that are excessively broad: One is the idea of repealing the "Commercial Harm" test. Without this test, there would be no filter of reasonableness for applications for relief and frivolous use of the Agency would be counter productive and create unnecessary uncertainty. Second, class action FOAs The idea of such a regulatory approach goes against the idea of an open market and invites ganging up and overly lengthy procedures.

4. Delicate Balance
   It is important to get the balance in C-44 correct. It is a delicate balance, but if it goes toward re-regulation, it will stifle innovation and investment. Canada has learned some important – and successful – lessons over the past couple of decades. Regulatory uncertainty or tipping the regulatory balance is the last thing we need now with such strong economic opportunities facing our country. The government is urged to reconsider some of the measures it has been considering during the past year.

Nick Mulder, Senior Associate, Global Public Affairs
Discussion Points for VanHorne/WESTAC Roundtable with Minister Lapierre

Opportunities for the Government and Transport Canada:

1. Canada needs a long-term inter-cities highway trust fund

2. Pursue a further commercialization strategy
    a. Airports
    b. Ports – Toronto, Nanaimo
    c. Ridley Terminals Inc.
    d. VIA Rail

3. Consider significant air liberalization policies

Jane O'Hagan, Assistant Vice President, Strategy and Research

CANADIAN PACIFIC RAILWAY: REMARKS TO THE MINISTER OF TRANSPORT
WESTAC/Van Horne Roundtable Meeting, August 23, 2005

BACKGROUND

- A very significant increase in demand for rail transport has arisen recently from the economic revival of China – both for the outbound movement of resource products, and for the inbound movement of goods in containers;

- This increase in demand follows a long period in which the railways of North America have rationalized their excess railway infrastructure following the deregulation of the industry in the 1980s and 90s;

- The above combination implies that the railways of North America – with the possible exception of once publicly-owned CN – need to increase rail infrastructure investment significantly in key corridors.

KEY STRATEGIC PRINCIPLES TO GUIDE RAIL/TRANSPORT POLICY

1 Firstly, continued regulatory stability – no backtracking

CPR has made $160 million of investments in additional rail infrastructure in western Canada this year, and there will be more required in the coming years. Such private investments are and will be vital to satisfy the increasing demand, and nothing should be done by governments to jeopardize such investments.

The railways and the financial markets need the regulatory stability promised under Bill C-44, and are looking to see these legislative amendments enacted into law – no backtracking.

Further tinkering with the economic regulation in C-44 to satisfy special interests – such as expanded running rights or competitive connection rates – will put investments at severe risk.

2 Secondly, encouragement of commercial development as west coast ports

Bill C-61 amendments to the Canada Marine Act are a positive development that will enable Canada's ports – and the west coast ports in particular – to expand their capacity to handle marine containers through the terminals.

This expansion of terminal capacity is a companion requirement to the expansion of rail infrastructure capacity, and will enable the transport and logistics supply chain for the movement of container traffic between Asia and North America to meet the projected increase in demand.

It is important that the developments be coordinated among the various commercial interests, and for this reason CPR is entering into several MOUs with its commercial partners in Vancouver. It is vital that such private-sector collaboration not be jeopardized by government intervention distorting market forces through subsidy or regulation in favour of one port over another.

What is required is a liberalization of constraints on all port activities equally so that the private sector can allocate its resources efficiently subject to the competitive needs of the marketplace.

3 Thirdly, understanding that rail is critical to Canada's trade and competitiveness

The Canadian railways have been around for many decades and become a familiar fixture on the economic landscape. In many ways they have become a victim of their own success – the real costs of rail transportation have declined significantly over the decades since deregulation, thereby contributing to the success of globalization.

But the corollary to this success is that railways get taken for granted in the same way that electricity or telephones get taken for granted – until they go wrong!

CPR and CN are two of the most efficient railways in the world and this efficiency is an important enabler for the economy of Canada. Canadian trade depends to a significant degree on the railways, and the continued competitiveness of shippers relies in turn on the railways.

Governments need to keep the key role of rail more towards the front of the economic agenda, and be more wary of imposing regulatory/financial burdens that will impede their performance.

4 Recognition of the public benefits of railways

More recently it has come to the attention of a wide audience that there are public benefits that arise from increased use of railways – both freight and passenger:

- Fewer highway user costs – from reduced congestion, accidents and operating savings;
- A reduction in the need for highway expenditures; and
- Environmental benefits – from a reduction in GHG emissions.

These public benefits do not accrue to the railways themselves and do not therefore factor into the investment and operating decisions of railways – as such they are undervalued. Recognition of the value of these public benefits by governments would encourage measures such as:

- Targeted financial contributions to rail infrastructure projects that cannot be justified by their purely private benefits to the railways themselves – such as border crossings;
- An increase in capital cost allowances that would accelerate the introduction of more fuel-efficient locomotives that would in turn reduce GHG emissions; and
- Realignment of rail taxation to create a better balance between competing modes.

OVERALL, GREATER FOCUS ON RAIL AS AN ECONOMIC ENABLER

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August 19, 2005

Hon. Jean C. Lapierre:

Many issues face the trucking industry today including driver shortage, infrastructure, international borders, cabotage, etc. With only a page and a few minutes to describe one of these issues, I have selected the driver shortage challenge facing Canada today.

It is interesting to note that one of our great successes is causing one of our biggest challenges in trucking today. With Alberta's economy humming with oil success, there is a huge demand for qualified drivers and other provinces are losing these drivers to the lure of much higher wages in the oil fields of Alberta. We were having enough trouble finding qualified drivers before this surge happened which has now caused us a more serious and immediate problem. In Alberta alone we cannot find one applicant that will come to our place of business to apply for some very high paying jobs (our company is governed by a collective bargaining agreement and we pay higher than most anyone, along with generous benefits). We have tried hiring bonuses, flyers, advertising and public signs at our place of business and we cannot attract anyone, especially in Edmonton. This is the first time in the history of Reimer Express Lines Ltd. that we have had to advertise for drivers as they usually come to our place seeking the types of jobs we create.

Nationally we have a serious shortage that is building due to an aging workforce that is nearing retirement and the young drivers either not coming or not staying in the profession. The lifestyle is not exactly conducive to a young family and therefore we tend to lose these younger drivers that had thought the good paying jobs were in their interest. We have had to seek our drivers in foreign countries where qualified drivers are willing to come to Canada to work in a great country with good paying jobs and a place where they can own their own home.

We are not getting the kind of support from the Federal Government that we need to bring these foreign drivers to our country which is presently about one of the only solutions for our challenge. They also will not assist in creating a pool of drivers in our own country to solve the problem here rather than going to foreign countries. We are deeply concerned about the safety of our trucks on the road and it is getting harder to find qualified drivers who meet our very high standards, as the source for drivers is being taxed to the limit. This profession is the largest one in all of Canada and should receive the kind of attention that this leading profession should receive before it becomes a serious detriment to the progress and competitiveness of our great country.

Thank you,

REIMER EXPRESS LINES LTD.

Allan N. Robison
President & CEO

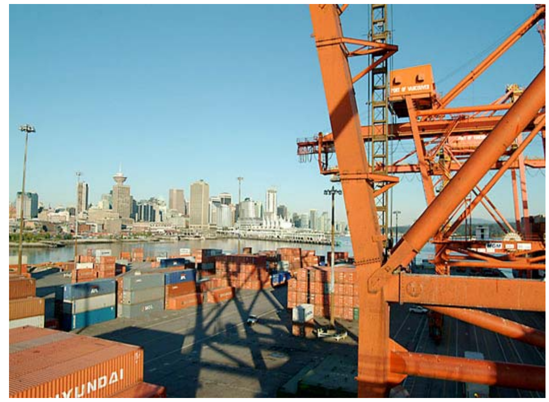
Shawn Smith
Regional Vice President, Northwest Region
RailAmerica Inc., representing Canadian Shortline railways
(Notes from the Meeting)

1. Infrastructure Challenge
   - Today, shortlines carry about 29% of Canadian rail traffic.
   - Most shortlines were acquired as the lower-volume segments of mainlines.
   - Shortlines are a vital part of the system by providing access to shippers using rail who otherwise would not be connected to the mainline system.
   - Shortline margins are always tight, as they often face fierce truck competition and have relatively low volume levels per mile of track, but have to maintain all trackage to given operational and safety standards.
   - Consequently, many shortlines today need significant investment which they are ill-equipped to fund. Shortlines hope governments will look at the model of Quebec, which recently undertook a cost-shared investment initiative for shortlines that was a three-way partnership among the federal and provincial governments and the participating shortlines.

2. Financial Challenge – Taxes
   - The federal and provincial input tax burden faced by shortlines is an unreasonable burden on shortlines trying to provide important service on thin margins.
   - Perhaps more important for public policy, provincial property taxes and federal fuel taxes are counter-productive, reducing the ability of shortlines to sustain the infrastructure that helps reduce the cost burden of trucks on public highway infrastructure.
   - Federally, there have been improvements in capital cost allowances (CCAs), but these need much more attention so that they become an incentive to invest.

3. Regulatory Stability
   - It is true that great productivity and service gains have been made to the benefit of both railway customers and the railways.
   - These have been made possible in large measure by targeted investment in new technology made possible by increased regulatory freedom.
   - It is most important that Canada not go backwards, creating new constraints on the railways that would slow down future investment.
   - If the future seems uncertain, investment will go on hold, pending the outcome of new legislation.
   - That is why regulatory certainty is key to the future of Canada's rail shippers and the railways that serve them.

Cliff Stewart
Vice President, Operations
P&O Ports Canada Inc.



British Columbia's Marine Container Terminal Industry ~ *Ensuring safe, stable and continuous port operations*

<u>BC's Port Operators</u>

- Ports are the backbone of the Canadian economy.
- Safety and security is a priority at all terminals.
- Need a commitment by all stakeholders to keep the ports operating.

<u>Competitiveness</u>

- Continuous and stable port operations are vital to all Canadians and to our economy.
- Previous disputes in other related industries have significantly impacted our industry reputation and the Canadian economy.
- We risk losing port business to American ports without the guarantee of a continuous flow of goods.

<u>Safety and Security – MTSCP Regulations</u>

- Enhancing the security of the entire transportation network not just the marine terminal interface.
- The proposed MTSCP regulations need:
  - A fair and transparent appeal process.
  - An assurance that information will be kept confidential.

<u>Trucking Dispute</u>

- We need the efficient, stable and continuous movement of goods.
- Terminal operators are committed to being a part of the solution.
- Recommendations to improve effectiveness, include:
  - 100% reservation system.
  - Enhance security through a centralized information system.

<u>Recommendations</u>

- Ensure we have efficient and stable operations.
- Ensure MTSCP regulations are fair and transparent.
- Give Port Authorities the authority to manage and enforce the flow of goods and people in the port system.
- Create industry-wide enhancements, such as central reservation and information systems.

Passenger Rail Issues

Mike Tretheway
Executive Vice President, Inter*VISTAS* Consulting Inc.
19 *Aug 2005*

Passenger Rail is the Exception to 25 Years of Transformation. Over the past 25 years, the transportation industry, with one exception, has been re-invented. Airlines, airports, air navigation, freight rail carriers, ports, and motor carriers (bus and truck) have all radically transformed themselves to better serve their customers. These sectors have achieved dramatic growth. Domestic air passenger transport, for example, has grown by roughly 85%. Rail freight have developed new services, increased market share and offer rates half of those in 1980, in real terms. Intercity bus transport connect more destinations with higher frequency and with many innovative services. These sectors are no longer a drain on the taxpayer. In fact, many of the modes are now large net contributors to the federal treasury, even after the needed rent reductions for Canada's airports.

The exception to this market innovation trend has been passenger rail, which has seen traffic levels and its share of intercity passengers kilometres decline. While in 1980 Canadian passenger rail carriers (primarily VIA) carried roughly 8 million passengers, today it is under 4 million. The share of passenger rail in domestic intercity passenger kilometres has declined from over 10% to under 4%. While the level of subsidy has been reduced, passenger rail continues to be a major drain on the taxpayer.

Governance Reform is the Key. The key to the changes in the service innovation and performance of air carriers, buses, trucking, freight rail, ports, airports and air navigation has been new governance structures. Air Canada and CN were privatised, airports, ports and air navigation were transferred from government operation to successful not-for-profit authorities, and all modes were deregulated.

Bill C-44 – A Lost Opportunity. Bill C-44 is a lost opportunity, as it does not change VIA Rail's governance structure. VIA will remain as a crown corporation, essentially only remaining government transportation company. While C-44 does provide some new powers to VIA, including new borrowing powers, it does not embrace the service and performance enabling governance structures used in other transport areas. As a result, by only making relatively minor incremental changes, **Canada is foregoing an opportunity for a major leap in how passenger rail could be used to serve Canadians**. C-44 is also a lost opportunity for Canadian taxpayers. VIA continues to be a drain on the taxpayer, while all of the other modes of transport have largely been weaned from public contributions.

Governance Reform Would be Low Risk. One wonders why passenger rail is alone among all the modes for being singled our for an antiquated governance structure. Governance reform of VIA would not be a high risk undertaking. Its share of domestic intercity passenger transport (under 4%) is minor. Almost every service has a competitive alternative, with air and bus often being a less costly choice for the traveller. It was far more risky to transfer airports and ports to authorities, and to deregulate and privatise CN and Air Canada.

A Better Approach. A better approach for passenger rail in Canada would be to forego the minor reforms in Bill C-44, and to develop

a) clear and unique mission statements for each the key passenger rail services (regional intercity service, eastern corridor service, and tourism services), and
b) an appropriate and empowering governance structure to achieve each of these missions.

AS DELIVERED/ REVISED

Presentation by Debra Ward to The Honourable Jean-C. Lapierre, Minister of Transport
Federal Transportation Policy: Are We There Yet?
August 23, 2005

It isn't too great a stretch to say that the federal government has made more progress on transportation files in the last year than it has in the last decade. Recent actions such as re-opening negotiations on trans-border air service, and the recently announced Halifax Gateway initiative, to name only two, are commendable and welcome, and I congratulate the Minister and his department wholeheartedly. It is an excellent start – but it is only a beginning.

Transportation policies and programs do not exist in a vacuum, nor do they exist solely for the benefit of transportation companies. Government transportation policies are subsets of larger societal goals: environmental, social and economic. Many government investments in economic growth: trade, business development, tourism and so forth, need a robust transportation system that boasts specific attributes, yet these policy areas rarely overlap. When they do, programs tend to be ad hoc and tactical. We require high- level and strategic policy actions taken jointly by Transport, other federal departments, other levels of government and the private sector. Going forward, the department must shift from the status quo, "policy by mode", to approaches that anticipate and prepare for the future of transportation: **multi-modal, fair, responsive, and effective locally, regionally, nationally and internationally.** We must be able to accomplish more than simply do modest things, modestly well. **Transportation policies and programs need sufficient budget and resources to ensure that they contribute to the growth and prosperity of the nation.**

Transportation is not the only factor needed to create economic development opportunities, but it is a critical one. It is also a highly complex and politically charged issue. Expecting that the "right" transportation system will somehow "emerge", is too simplistic. On the other hand, past experiences have demonstrated that poor planning is almost as bad, if not worse, than no planning at all, leading to overoptimistic projections, less-than-stellar returns and a waste of taxpayers' money. It does not have to be this way – **transportation planning and investment can be much more effective in their support of economic goals**. A pertinent example is the UK Regional Development and Transportation Strategy which molds transportation policy to:

- Contribute to economic activity in a sustainable way through improved access to regional, national and international markets by efficient targeting and deployment of resources, particularly in the key transportation corridors.
- Promote accessibility for all to jobs, services and facilities through improvements to transportation infrastructure and public transport services in particular, thereby enhancing social inclusion.
- Promote integration within and between different modes of travel, and between transportation policies and policies for land-use, the environment, health, education, wealth creation and tourism

There are two fees imposed on transportation companies or their customers that can only be described as egregious: the Air Travellers Security Charge and federal fuel excise taxes. They are virtually indefensible within the context of fair government policy; these excise taxes have no place in a tax-surplus environment (and a value-added tax system) and I have yet to see an semi-cogent explanation of why air travellers (but not subway, car, bus, cruise, rail) pay for a security system that defends all Canadians. "Needing the income" is a risible rationale for unfair taxation.

Competition in the airline sector is a must. **While there may indeed only be room for "two national carriers" in the country, as conventional wisdom suggests, no carrier should expect that the mantle falls to them by fiat**. The right to carry Canadians and their goods must be earned, over and over again. The fact that the entire air system rests in the pockets of travellers and shippers must be recognized in every policy. **The government must always serve the greater national interest first.**

Obviously, a fully-realized long term transportation strategy will have a price tag of many billions of dollars, and will require many partners and new ways to pay for it. Nevertheless, **thinking big costs no more than thinking small**. **We have to shift the planning paradigm away from the parsimonious "What can we afford?" to the expansive "What do we need?" A "grand" strategy drives funding schemes, but not the reverse.** Potential partners can see where their contributions "fit", be assured of a long term government commitment to the strategy, and plan over decades-long cycles. A vision does not mean that one sees every leaf: but demands that one sees beyond the obvious…

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Summary Statement by W.G. Waters II, Professor Emeritus, UBC, and Member, CTA Review Panel (CTAR) – Calgary, 23 August 2005

RE Section 5, Statement of National Transportation Policy
In Bill C-44, proposed legislative changes to the Canada Transportation Act

Summary:

The proposed wording of Section 5 is a substantial change from the central policy goal of the last 40 years, and contrary to the recommendations of CTAR.

Canada's Transportation Challenges

Historical challenge: large area, low population, low valued resources, long distances, harsh terrain and severe weather at times.
Still relevant in modern information age urban economy:
How well cities work influences our performance and competitiveness.
Most Cdn cities are relatively small, far apart, serve large hinterlands.
In the past and today, we survive, and even thrive, by the conquest of distance.
Performance of the transportation system is more important for Canada than other countries.
MacPherson Royal Commission recognized this, NTA 1967 and 1987, CTA 1996 incorporated this emphasis, and CTAR agreed: an efficient system will enable us to do the best we can, overall and region by region

Summary of Policy Principles

"economic and efficient…" have been central goals in the policy statement since 1967, modified in 1987 and 1996. Paraphrasing current Act:
"<u>safe</u>, economic, efficient and adequate…"
best use of modes, at lowest total costs…
competition and market forces are prime agents…
users bear fair proportion of resources…at public expense
receive compensation for… an imposed public duty
economic regulation only where necessary…
plus some additional statements including accessibility for the disabled.

Summary of C-44 policy statement shortcomings:

1. Wording is too broad, trying to appease many interests. This weakens the statement of goals/vision; long term goals need to be priority guidelines for a decade or more, not a short term political compromise statement.
2. "Competitive…" is inappropriate in the central goal statement:
   - It confuses means with ends;
   - Competition is a means to achieve goal of efficient system;
   - Some market circumstances will limit competition.
3. Users paying for public resources is deleted:
   - 'User pay' and commercialization of infrastructure have been successful policies to achieve a more efficient system.
   - It is a test to prove the value of facilities provided.
   - CTAR noted we cannot have full cost-recovery everywhere,
     - solution is not to abandon the concept of cost-recovery, but develop criteria and mechanisms for where full costs will not be covered.
4. Compensation for imposed public duties is deleted.
   - This loses an important principle for an efficient system
5. Environmental statement is weak, the goal is to recognize environmental costs and benefits in determining the costs of alternate modes and services.
6. Regulation and public intervention to achieve non-market outcomes… is too open-ended, inviting any and all political interference with the functioning of an efficient commercial transportation system.