

***Candid Views***  
on Canadian Transportation

2005



#### Disclaimer

The opinions in this paper have been synthesized from the extensive comments of the fifty people interviewed (page 15). They do not necessarily represent the views of WESTAC or its members.

## **Observations**

*There is a certain rhythm to the conducting of surveys and issuing reports on the industry. There is a burst of enthusiasm for the work, great effort is put into crafting and releasing the findings, a report is distributed – and life goes on.*

*In this instance, fifty learned Canadians have candidly voiced their concerns about the status and future of transportation in this country, and we need to pay attention. The transportation system is of critical importance to all who import, export, create, or consume, leaving a very few who can afford to ask: “why should I care?” Whether you fancy yourself a policy wonk, pragmatic practitioner, or innocent bystander, these issues matter, and resolution will require your interest and input.*

*Canada was built on the strength of a ‘dam the torpedoes’ approach to infrastructure development, and it wasn’t pretty. There were enormous human, environmental and social costs associated with piercing the Rockies or splicing the Great Lakes together. It was in many instances the unregulated, undisciplined, and even the unprincipled, who attacked and reshaped the marvelous landscape before them. Decisions were made by the powerful, work got done, the nation was built - and we prospered.*

*Today’s prosperity, though, has changed our motivation. Mega-projects are stifled by too many opinions, consultations and ‘NIMBY-ism’. We now live in a world of decentralization where decision-making is shared, agendas are fragmented and a strong sense of individual entitlement overrules the common good – and we dither rather than do.*

*No one advocates a return to the bad old days. But it seems to me that somewhere between these two extremes lies the right mix of leadership and freedom, muscle and mind, independence and cooperation, individualism and the common good, required to ensure that we continue to build and renew the physical foundations of our country.*

*There are some provocative and innovative ideas on the following pages that should be debated and developed further. It remains our collective responsibility to see that this is done well, and done now.*

*Dave Gardiner  
February, 2005*

***“Opinions drive the important social and political decisions that affect our lives.”***

## **What We Did**

During the latter part of 2004, WESTAC conducted one-on-one, in-depth interviews with 50 Canadian business, government and labour leaders. They were a cross-section of interests with varying degrees of connection to the transportation sector. A conscious effort was made to extend the survey beyond industry insiders.

The purpose was to obtain their thoughts on the status and state of transportation in Canada and whether the current policy and fiscal environment will meet future needs. Participants were encouraged to speak candidly and to allow themselves to think broadly about issues, opportunities, and solutions.

The response was overwhelming and gratifying, with over 95% of targeted contributors agreeing to interviews of one to two hours' duration.

Interview results were sifted and sorted to identify common threads with a focus on industry-wide issues having national implications. Modal-specific and single-issue items, although extremely important to individual respondents, were omitted.

The outcome is a series of observations on the state of transportation in Canada, the appropriateness of current policies and practices in the context of future demands on the industry, and actions that might be taken.

When many people are asked to offer solutions to problems and to recommend how to take advantage of opportunities – there is no end of ideas put forward.

The challenge is to channel these thoughts into a manageable mix, recognizing that the burden of action must be shared and that compromise will be required.

The following commentary represents our attempt to boil the discussions down to their essentials. Some ideas are straightforward, while others may appear at first to be unrealistic or unworkable. All represent the best thinking of the survey contributors and are worth considering carefully, especially the solutions beginning on page 10.



# Survey Findings

The views and ideas in this paper have been drawn faithfully from those expressed during 50 one-on-one interviews by Dave Gardiner (interviewees listed on page 15). Twenty-four of the interviewees are current or former members of WESTAC.

***“New global sourcing and trading patterns will keep transport demand above historical levels.”***

***“Business conditions change so fast, and so far, policy response hasn’t kept up.”***



## **Today’s Business Environment**

Canada’s transportation industry is operating in a world of rapid and dramatic change with a policy and fiscal climate rooted in conditions 10 or more years old. Key legislation affecting the industry, such as the Canada Transportation Act and the Canada Marine Act, have undergone extensive mandated reviews yet no action has been taken on the recommendations. This inertia is extremely harmful if it prevents the industry from responding effectively to new challenges and opportunities.

We have moved from an era of theoretical risk – that the industry might not be able to respond to all of the demands placed on it – to one where the threat is now reality. Various sectors of the industry are wrestling with a widening gap between expectations and performance in meeting demand; living up to service and performance expectations; and investing in infrastructure and facilities.

Performance shortfalls and system deficiencies have been well-documented:

- Delay or diversion of import container traffic
- Lost sales and deferred capacity expansion in export industries
- Congestion and delay in deliveries and truck transit times
- Deterioration in feeder systems (short line rail, rural road systems, remote airports)
- Untapped short-sea potential

The combination of deteriorating performance and unprecedented growth in demand raises a warning flag for all Canadians. Our economic well-being and valued social programs are at stake.

## What Should Be Done?

Conditions change. Survey respondents were concerned that we are failing to recognize that what were solid givens at one point may no longer be valid. When inertia and lack of vision impedes our ability to see change and vary our approach, then policies and practices become outdated and we are unable to foster the system that is needed.

Three key concerns were raised:

- The industry is not fully appreciated or understood
- Silo thinking and institutional frameworks don't meet today's needs
- A leadership vacuum persists.

## The Givens

Survey participants suggested several givens to be assessed for their applicability today (overleaf).



***“Real business is being lost. This calls for a strategic re-thinking of our transportation system, its role, its contribution, its needs. And then, a plan to deliver that system.”***

***“Start with taking a hard look at the givens we have been accepting as fact. They might be myths.”***

# Policy “myths”

## True Today?

**Government\* is in deficit**

**Regulation is a bad thing**

**User Pay is a universal fix**

**Market forces will determine the system and the private sector will pay for it**

**Transportation is a discrete entity**

## The Reality

No, not any longer – the money is available. What is in question is where transportation ranks in government funding priorities.

So is anarchy! Smarter, not more, regulation is needed to control extreme behaviour, from self-destructive practices to exercising monopoly powers.

Not all essential parts of the system have the traffic densities or critical mass to generate sufficient funds from direct users for construction and maintenance.

Rural, remote, and new parts of the transportation system must at least initially be supported by public resources in the national interest.

Our economy is driven by trade, and trade depends on transportation. Policies pertaining to both are intertwined, with transportation in a supporting role.

*\*References to “government” during the interviews generally did not specify a particular level of government.*



# Industry “myths”

## True Today?

**Policy is a top-down affair**

**Just-in-time prevails**

**Lowest price is essential**

**The customer is King**

**Data and information are proprietary**

## The Reality

Policy should reflect needs, and needs should be defined and articulated by industry.

The practice of maintaining an inventory within the transportation pipeline has failed under service disruptions. Reliability and predictability are increasingly vital, and the system must respond to this new reality.

If cost cutting to support lower prices results in poor performance, the true cost is much higher.

Often transportation businesses tailor their actions to increase short term profitability and share value. This can be inconsistent with meeting customer needs and the long term nature of return on infrastructure investment.

With today's emphasis on integration within and among modes, it will be necessary to find ways to share vital information for planning and operating purposes.

# Solutions

suggested by survey respondents

## The Public Agenda

### **“Positioning is power – and transportation is not well positioned”**

Transportation should be recast as a pillar of economic and trade policy. The file should be aligned with a powerful cabinet department and identified as a national core value. It should be understood as a generator of wealth, and its value calculated on an economic base method of accounting.

## The Business Agenda

### **“A crisis of invisibility... we need to tell the story...”**

The question is often asked, “Where are the shippers?” Many transportation industry requests for policy change and/or other forms of assistance are viewed as self-serving if sought in the absence of a clear statement of industry user need and support. Transportation service providers and users should be more willing to jointly commit executive time and energy, plus money to promote a clear and consistent statement of the industry’s value and importance.

They need to collectively demand much more of themselves and those in a position to influence the conditions in which they perform.

More imagination and creativity could be employed, linking, for example, the passage of one coal train to the value of one open-heart operation.



## The Public Agenda

### **“Leadership isn’t a popularity contest.”**

Leadership should be redefined to include the responsibility to make unpopular decisions in the greater interest. This means overruling local governments when necessary. It also means developing new investment delivery vehicles that combine and empower a community of melded interests to rank and approve projects and to raise and channel funds. It would recognize the need to delegate, and to facilitate a community of interests.

A leadership model could be:

- Federal government providing sustainable infrastructure funding for basic long term infrastructure meeting pre-established criteria established by it
- Provincial governments providing additional (matching) infrastructure funding, and funds for long term infrastructure planning to pre-determined standards and processes
- Community and regional entities planning and building infrastructure to be augmented/operated by private sector

## The Business Agenda

### **“Leadership is the ‘bottom line’ and more.”**

The cardinal rule of industry is to keep the competition at bay and risk foremost in the mind. But it has to be more than that.

The efficiencies to be gained from integration require industry to show leadership by combining in new ways to advance collective interests.

A common area mentioned for these initiatives to occur was in data sharing – for the purpose of consolidating estimates of future demand and coordinating responses, including the possibility of joint investment planning and timing. Shippers were urged to do a much better job of communicating what they foresee their needs will be.

Respondents were encouraged by the move towards more integrated operations on the part of rival organizations but suggest that a true leadership test would be to extend this cooperation to more strategic and proprietary areas.



# Solutions



## The Public Agenda

**“Hands on, hands off, have we gone too far?”**

Government should focus on opportunities to facilitate and supplement. The primary *raison d'être* of regulatory activity is to remove barriers, simplify and speed up processes, and eliminate destructive behaviour of all kinds. The basic philosophy should be one of incentives to act responsibly rather than a system of penalties.

Direct involvement in transportation activity should be limited to areas of national interest and security, and, where required, to facilitate change. Transitional assistance as industry reacts to new patterns of demand and emphasizes new performance factors is an additional legitimate role.

Above all, consultative processes must be followed quickly by action to implement the agreed outcomes.

## The Business Agenda

**“Value-added is great, but we can't forget our roots.”**

A long-standing Canadian economic policy is the pursuit of value-added to create prosperity. While no one disputes the wisdom in this, there is also the need to focus on areas of comparative advantage. In a world where assembly and manufacturing is migrating to areas of lower cost human resources, Canada must have a trade mix that includes goods and services not in abundance elsewhere or that it can profitably and consistently deliver at competitive prices.

We must continue to apply world-class practices and technologies to the traditional resource industries and ensure that our transportation and handling systems will help exporters gain access to emerging markets.

## The Public Agenda

**“A portion of what is extracted from the system should be returned to the system.”**

Parts of the system, for reasons of location, national objectives and social policy will continue to require some public funding. Governments should provide basic infrastructure upon which the private sector can build, and introduce mechanisms permitting others to leverage that investment. They can ‘book-end’ the private sector with financial guarantees, from project inception to profitability.

Governments are in the best position to assess the value of an investment to meet the objectives of society at large. Where market forces won’t provide such investment, government has a financing role.

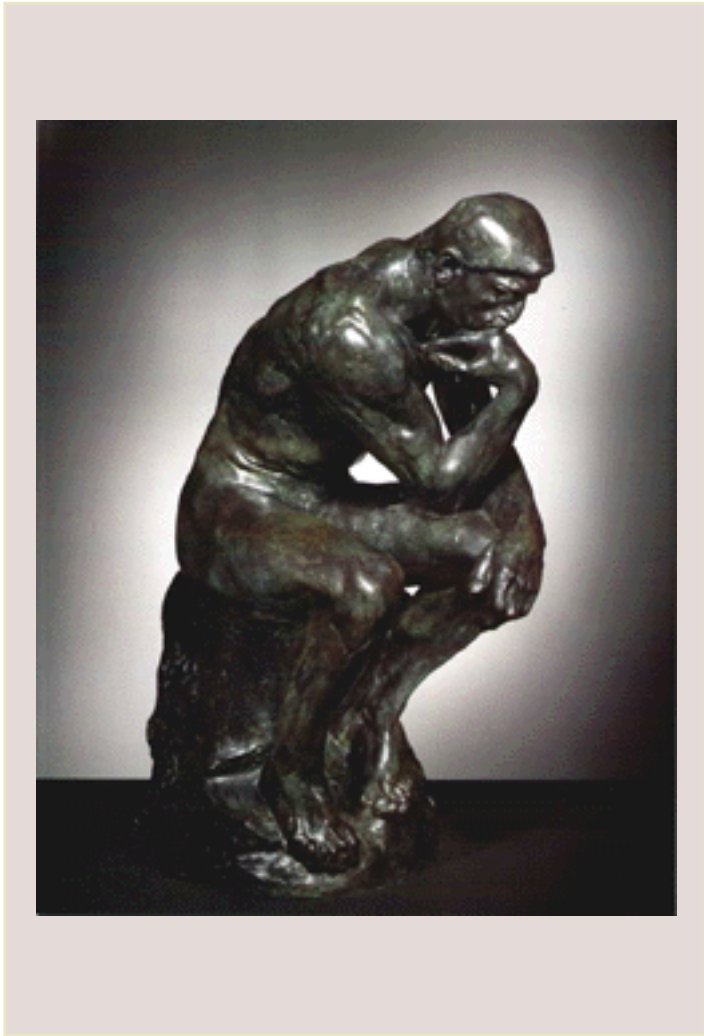
## The Business Agenda

**“Why shouldn’t the hubs support the spokes?”**

Spokes such as regional and remote airports, short line railways or rural road systems may not generate enough direct activity to be self-sustaining. Yet they are vital as feeders to the principal airport, port, rail and highway networks that support trade and tourism.

Where major hubs generate revenues above their immediate requirements, they could redirect some funds to selected entities that contribute to their success. A commitment to do this could be persuasive in attempts to reduce the rents, taxes or other levies currently paid to governments.





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\* Contributors were selected for their backgrounds, expertise and/or unique perspectives. While they are shown with their business affiliations, often this was not a factor in their participation.



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