



Proceedings Report

Transportation Infrastructure Strategies for National Success

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The opinions expressed in this report are drawn faithfully from the words of speakers and delegates. They do not necessarily represent the views of WESTAC or of Alberta Transportation as the report's sponsor.

Acknowledgements

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EXECUTIVE SUMMARY

On November 26 and 27, 2003, 125 key transportation stakeholders met in Winnipeg. The goal of the event was to find agreement on what is needed to build better transportation infrastructure.

Delegates heard from expert panelists and had opportunities to provide their views through the completion of surveys.

Three themes came up again and again:

1. Speaking with one voice.

All transportation stakeholders must work together to ensure that transportation's importance gets recognized – by all levels of government and by the public in particular.

2. It is time for new financing options.

There were strong calls for new funding methods – government resources will always be insufficient to fund all transportation infrastructure needs. Delegates were open to new financing alternatives such as public-private partnerships, user pay, tax-exempt bonds, and dedicated or shared fuel taxes. Urbanization is putting enormous pressures on the transportation systems within cities, creating opportunities for user pay options.

3. A market-driven industry.

There was broad consensus for a market-driven industry, recognizing the special needs of safety, security, mobility for those with challenges, and access for rural and remote areas. More work is required in taxation and regulation, to make the transportation industry more market-driven. Delegates recognized that investment criteria should differ for rural and urban areas, and that infrastructure projects do not necessarily need a sound business case in areas of low density. There was concern over who should pay the cost of security measures.

Additional needs gleaned from delegate surveys were:

- more “visioning” work needs to be done
- a national transportation plan is needed
- it's important to leverage public infrastructure investments

Achieving an integrated transportation system goes beyond ‘motherhood’. Many parts of the transportation system already connect with one another; however, the connections are not as seamless as they could be. Modal competition, an inability to see the broader picture, and “misalignment of legislative and regulatory policy across federal, provincial and municipal governments” were the reasons cited.

Integration will mean lower costs and increased competitiveness. The biggest challenge will be for us as transportation stakeholders to work together.

“Institutional innovation is at least as important as getting more money to invest.”

*Dr. Bill Waters
University of British Columbia*

INTRODUCTION

On November 26 and 27, 2003, 125 key transportation stakeholders met in Winnipeg, to discuss how to resolve the “crunch” in providing transportation infrastructure. This solutions-oriented conference went beyond how to pay for the physical infrastructure, to include policy-related ways to provide better transportation infrastructure. The conference was held in an atmosphere of optimism – that so many of the key people attended and were willing to work together to find solutions.

“We all have a stake in the development of our nation and its infrastructure.”

Many months ago WESTAC conceived this conference, out of concern about the growing public battles, over what should get funded, what mode was the most environmentally friendly, what was or wasn't paying its fair share – competition among groups within transportation, for public funding. This was a particular worry at a time when the spending needs of health care and education have received so much media attention.

Failure to address our transportation infrastructure problems will gradually cause Canadian shippers to be less successful in world markets. Profits and sales will be less than they should or could be. There will be fewer high quality – high paying jobs. Fewer shipping lines will call, and those that do will think of us as secondary business. Our industry will largely be a feeder system for a larger economy. Our economy will lag the US to the point where we stop comparing ourselves to them. We'll talk more and more about other benefits to being Canadian. The result will be a slow erosion of our standard of living.

The goal of the event was to avoid this and achieve a stronger Canadian transportation system through better infrastructure. This requires consensus on exactly what is needed – in terms of rules and policies and investment dollars.

There were two parts to the conference – delegates heard from expert speakers and also had opportunities to provide their views through the completion of surveys. At four specific points during the event, delegates were asked to complete a survey to provide input on the ideas presented by panelists. Delegates represented the full range of transportation stakeholders with the talent, experience and knowledge needed to create the solutions to our transportation infrastructure difficulties.

This report contains key messages from panelists' presentations as well as excerpts of survey results. It does not contain results of all survey questions, rather it selects those showing the strongest messages. Presentations were videotaped – and are available at www.westac.com until the end of April 2004.

WESTAC gratefully acknowledges the support of our sponsors (see inside back cover) who made the event possible.

Unattributed quotes are from the surveys, with anonymity preserved.

OUTCOMES

Many ideas and views were articulated by speakers and delegates. Three themes, however ran through almost every presentation and many of the surveys.

1. Speaking with one voice

Industry and governments clearly recognize the importance of working together in new and meaningful ways. This was termed “partnerships”, “integration” and “speaking with one voice”. Many examples were cited – some initiatives involving governments only, some involving industry only, and some involving both government and industry.

In BC, eight Regional Transportation Advisory Committees have been established to provide recommendations to the Minister of Transportation about transportation requirements for their region.

Provincial transportation ministers are working more closely together. The transportation ministers for all provinces and territories, for the first time ever, produced a consensus report *Partnering for the Future: A Transportation Vision for Canada*. The four western provincial transportation ministers have formed the Western Ministers Council which is developing a strategic transportation plan for Western Canada. The Council seeks closer co-operation on policy, planning, regulation and research.

There are also successful local groups – the Greater Vancouver Gateway Council and the Northwest Corridor Development Corporation. Both groups bring together industry and government representatives to achieve their objectives.

“Local governments and the public do not understand transportation – they do not understand the economics and do not understand the benefits of the industry.”

*Capt. Gordon Houston
Vancouver Port Authority*

“Governments have shifted from a philosophy of investment to a philosophy of consumption.”

*Dr. Roger Gibbins
Canada West Foundation*

Finally, the formation of the Transportation Optimization Pact (TOP) was announced during the conference. This unprecedented coalition of transportation associations will urge governments to view transportation as an essential element of Canada’s economic success and competitiveness.

‘Speaking with one voice’ goes beyond motherhood statements about getting along with one another. **The transportation industry and governments must work together to ensure that transportation’s importance is recognized – by the public and by all levels of government.**

2. It is time for new financing options

There were strong calls for new funding methods. Federal, provincial and local government resources will always be insufficient to fully fund Canada’s transportation infrastructure requirements. Yet, without such investments there will be widespread negative impacts on everything from traffic congestion and transportation costs to GDP and employment.

Panelists and delegates were open to new financing alternatives such as public-private partnerships, user pay, tax-exempt bonds, and dedicated or shared fuel taxes. The trend of increased urbanization is putting enormous pressures on the transportation system within cities. It has also created opportunities for user pay options where there is the critical mass to finance investments through tolls, fuel taxes and other methods.

Greater use of public-private partnerships should be explored to leverage public infrastructure investments.

Delegates and panelists widely supported user pay for public infrastructure. They also recognized that a user pay system is appropriate in large urban areas, but not possible in smaller communities.

There was a willingness to explore the use of tax-exempt bonds for financing infrastructure. In the US, both taxable and tax-exempt bonds have been issued for more than 100 years to finance infrastructure projects. Canada has limited experience with tax-exempt financing, although the Province of Ontario has recently issued bonds in this area.

Hon. Ron Lemieux, Manitoba's Minister of Transportation and Government Services, announced that his province will soon introduce legislation dedicating fuel and diesel tax revenues to highways, roads and infrastructure. Some delegates recommended that the provinces create a dedicated tax regime for the other modal fuel taxes, namely those paid by railways and airlines.¹

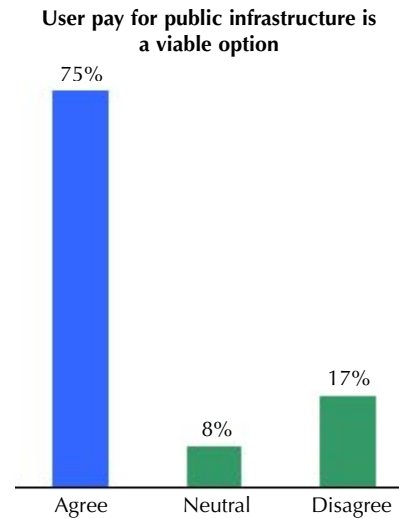
Delegates and panelists were hopeful that Paul Martin, incoming Prime Minister, will follow through on his commitment to share a portion of the federal fuel tax with cities. Such a commitment would help cities fund public transit and roads.

3. A market-driven industry

There was a broad consensus for a market-driven industry, with intervention from governments in very limited circumstances. The special needs of safety, security, mobility for those with challenges, and access in rural and remote areas were acknowledged as givens.

Many expressed the need to make the transportation industry more market-driven. Canada has made significant accomplishments in this area in the past decade, but more work is required. **It is important that the Canadian transportation industry be competitive vis-à-vis the US – Canada's manufacturers and exporters depend on it.** Governments should reduce taxes such as capital cost allowances and streamline regulations to ensure our transportation providers can compete.

¹ The Government of Alberta announced elimination of the 1.5 cents per litre aviation fuel tax on international passenger and cargo flights effective March 1, 2004.



"The biggest impediment to road pricing is public acceptance."
Andrew Horosko
Government of Manitoba

Throughout the event, concern was expressed about ensuring access to rural and remote areas and meeting their infrastructure needs. There was acknowledgement that investment criteria should differ for rural and urban areas; and that transportation infrastructure projects do not need a sound business case in areas of low density. Furthermore, the extent of user pay will differ in rural and urban areas.

Many panelists commented that the amount of regulation placed on the industry is extreme, referring to it as a “regulatory burden”. Governments should consider the cumulative impact of regulations before creating new ones. When regulations are necessary, many panelists suggested that they be enabling, performance-based regulations.

“The question of who pays for added security must also be answered. While business is willing to carry its fair share, there must also be value in terms of improved service levels and efficiency.”

*Hon. Perrin Beatty
Canadian Manufacturers
and Exporters*

There was widespread agreement that the federal government has a key role to play in dealing with security and border issues. Hon. Perrin Beatty pointed out the economic relationship between Canada and the US is so interlocked that the relationship can be characterized as “intermestic” (not domestic, not international, but a mixture of both). The border must remain open and not become a competitive disadvantage for Canadian businesses. There was some concern over who should pay the cost of security measures – shippers, travelers, transportation service providers, or government. Participants believed that governments should have a greater role in funding security improvements. This is one area in which competitiveness vis-à-vis the US can be improved.

SPEAKER MESSAGES

These are brief summaries of the speaker messages. Fuller summaries begin on page 16.

Introduction

Hon. Ron Lemieux, Government of Manitoba

By reviewing our nation's transportation history, we are able to draw on the lessons to develop the partnerships for a sustainable transportation system. There is a long-term stewardship responsibility which goes along with infrastructure. In Manitoba, a new law embeds sustainability as a cornerstone, through requiring provincial fuel tax revenues to be reinvested in infrastructure.

Panel One – Identified Future Needs

Much of the visioning and background work related to what should guide Canadian transportation infrastructure planning has already been done.

Kristine Burr, Transport Canada

The federal government's *Straight Ahead* vision statement provides the framework for transportation policy going forward. While the government has made significant infrastructure investments in the past, it cannot keep pace with increasing demands.

Andrew Horosko, Government of Manitoba

The federal government is to be congratulated for its Vision document, which is closely aligned with the earlier provincial and territorial government consensus document, *Partnering for the Future*. There now needs to be federal government leadership in the responsibility for highway infrastructure.

Dr. Roger Gibbins, Canada West Foundation

A critical factor in a stronger transportation system is increased public awareness of its importance. Research shows that we are net consumers of the transportation infrastructure in our cities, because we are failing to invest enough in its upgrade and maintenance.

Panel Two – Infrastructure Investment: Why, How Much and Where?

Three experts made the economic case for why to invest in transportation infrastructure and discussed how economics and the political process often conflict.

Dr. Graham Parsons, Organisation for Western Economic Cooperation

Solutions to Canada's transportation challenges include: creating a better climate for investment by eliminating fiscal distortions; reforming institutions and regulations leading to a National Transportation Plan and Fund; and adoption of new technologies.

Glen Weisbrod, Economic Development Research Group

The consequences of failure to invest in infrastructure have demonstrably negative impacts on everything from traffic congestion and transportation costs to GDP and employment.

Dr. Bill Waters, University of British Columbia

Using economic criteria and market-driven allocation for infrastructure investment decisions often conflicts with politically driven decisions. As a result, institutional innovation is at least as important as getting more money to invest.

Panel Three – Industry Roundtable: Breaking the Inertia

Panelists representing specific modes or industry sectors responded to four questions about how they think a better transportation system could be achieved.

Bill Rowat, Railway Association of Canada

In representing Canada's railways, he said a key problem was inequitable tax treatment, in particular with competing US railroads. The US views transportation infrastructure as fundamental to the economy, giving it much better access to public funding than in Canada.

David Bradley, Canadian Trucking Alliance

In representing Canada's trucking companies, he said Canada needs a national highway policy. Integration in transportation should improve net efficiency and should be linked to our industrial policy, and be integrated with the US system because of its importance to our economy.

Ray Johnston, Chamber of Maritime Commerce

In representing Canada's marine and port interests, he said changes to the regulatory and legislative environment are needed to reduce uncoordinated and cumulative impacts and encourage investment. Canada and the US must have similar access to funding; our industrial strategy should recognize the marine industry's role in emerging international markets.

Cliff Mackay, Air Transport Association of Canada

In representing Canada's airlines, he said there needs to be a better fiscal framework so that the industry is not treated as a "cash cow". Government's role should be in safety and security, with an economic role only as an intervenor of last resort. Liberalizing market access in the air industry should be a priority.

Roland Dorsay, Canadian Airports Council

In representing Canada's airports, he said small airports should receive government support where markets do not function. Otherwise, the government's role is in safety, security and environmental protection. Large airports do not seek government funds, but reductions in rent payments and various other fees. The cumulative impact of regulations needs to be studied and remedied.

Doug Kelsey, SkyTrain and West Coast Express

In representing Canada's urban transportation sector, he said a new, long-term sustained fiscal policy for infrastructure is needed, with exemption from GST for federally funded projects, and possibly tax-free bonds to finance. He supported developing a defined integrated system and leveraging government spending to draw in private funds as well.

Presentation – A Successful Olympic Bid: Leveraging Transportation

Vancouver's 2010 Olympic Bid presented many transportation challenges, which were turned into one of the Bid's success factors.

Doug Kelsey

As chair of the transportation committee of Vancouver's 2010 Olympic Bid, he described the lessons learned: the importance of defining in advance the desired outcome, focusing on shared interests, creating a sense of urgency through forced timelines, and the importance of communication and engaging all partners in dialogue.

Presentation – A Transportation Pact: By Industry, For Industry

The Transportation Optimization Pact (TOP) is a coalition of the country's key transportation associations.

Cliff Mackay

As chair of TOP, he described the principles of the optimum transportation system: market-driven, maximizes trade advantages, provides efficient quality choices, enhances viability of service providers, and optimizes returns for public and private investors. TOP will articulate a vision for transportation, focus on common agenda items and avoid competing ones, and present a united front to government and others.

Dinner Presentation – Meeting the Needs of Manufacturers and Exporters

A strong, well-maintained transportation infrastructure is critical to the success of Canada's manufacturers and exporters.

Hon. Perrin Beatty, Canadian Manufacturers and Exporters

The importance of secure and efficient borders with the US cannot be over-estimated. The Smart Border Accord and programs such as NEXUS and FAST will only be successful if physical infrastructure improvements are made along the border. Issues of security costs and the impacts on shippers, travelers, and society as a whole need to be resolved.

Panel Four – Best Practices and Alternatives in Investing

Several initiatives in investing presented ideas which could be adopted by others.

Kathie Miller, Government of British Columbia

Three models augment transportation resources in British Columbia: the Greater Vancouver Transportation Authority, a unique model integrating transportation planning across more than 20 municipalities; an independent BC Ferry Authority modeled after the Vancouver International Airport Authority; and eight Regional Transportation Advisory Committees to provide regional input to transportation planning.

Dr. Margaret M. Hill, Infrastructure Canada

Infrastructure Canada seeks a longer-term strategic approach to meeting Canada's infrastructure needs. Research is needed to assess the existing state of knowledge, profile transportation infrastructure, and establish a tools-based analytical framework for determining how to make investments.

Fred Culbert, Banjar Management Inc.

Tax-exempt financing has been used in the US to finance airports, ports and even railways, with the Alameda Corridor. While this provides greater access to capital and improved competitiveness, governments in Canada need to see evidence that tax revenue losses would be more than made up, including through increased economic activity.

Panel Five – Investment Priorities and Barriers

Public transit, ports, airports and rail face unique challenges related to securing investment funds.

Michael Roschlau, Canadian Urban Transit Association

Those living in cities widely recognize greater public transit as a key method of reducing congestion. With 90% of transit funding coming from local governments, there is a serious sustainability problem. The solutions should involve greater participation by federal and provincial governments in transit.

Capt. Gordon Houston, Vancouver Port Authority

Traffic growth forecasts suggest ports will not be able to handle all the business without major investment. Not all barriers to greater investment in ports are financial; permitting, planning and approval processes, and the challenges of operating within urban centres are also barriers. Industry support can help educate governments and the public about the role and needs of ports.

Ralph Peterson and Matt Colpitts, Edmonton Regional Airports Authority

The airport authority model has worked well, transforming money-losing operations into efficient ones. Financing options are: operating cash flow, privatization (build-operate facilities), P3s, airport improvement fees, and airport debt. Barriers to investing include economic reasons (terrorism, SARS, airline failures), ground lease rents and regulatory burden.

Doug Smith, OmniTRAX Canada, Inc.

For certain types of rail projects, such as safety and environmental ones and those that reduce the need to invest in highways, public investment is desirable. There are concerns about limited availability of public funds and altering the competitive balance. Also, who owns the investment if governments assist, and should shippers get lower rates because public money is used?

Panel Six – Integrating the System

By functionally integrating the transportation system, we can have more efficient, lower cost transportation, critical to the success of Canadian shippers and travelers.

Hon. Mark Wartman, Government of Saskatchewan

The four western provincial ministers of transportation formed a council to develop a strategic plan for the region's transportation system. Closer cooperation on policy, planning, regulation and research will result. The council allows for the combining of resources to advocate at the federal level for a coordinated transportation strategy. Broad goals include infrastructure renewal, and revitalization of transportation in rural and remote regions.

Bob Wilds, Greater Vancouver Gateway Council

The Greater Vancouver Gateway Council is a successful model of how to work with competing interests. The Council seeks to identify and address issues affecting competitiveness in the Greater Vancouver area. By focusing on a very limited number of projects, operating on the basis of consensus and developing first, second and third level priorities, the group has been able to speak as one voice to achieve results.

Presentation – The Building Blocks for Success

The elements of what is needed to create a strong transportation infrastructure system were summarized.

Dave Gardiner, WESTAC

Belief in a market-driven system was reaffirmed, with exceptions for rural and remote areas. A philosophy of investment must replace a philosophy of consumption, and our transportation strategy must be part of a broader industrial strategy. While much work remains to be done, we must build on what has begun: *Straight Ahead*, the Western Ministers' Regional Transportation Plan, and the work of groups such as GVGC, NCDC and TOP.

SURVEY RESULTS

This section contains excerpts of results from the four surveys completed by delegates during the conference. Selected results are presented, where there was a general consensus or where the responses were judged interesting or surprising.

“A vision is more than consensus on a broad range of issues – that is all the panel [one] achieved. Vision requires consensus of strategic direction.”

1. More visioning work needs to be done.

A surprising 53% of delegates disagreed with the statement “we have a clearly stated vision for Canadian transportation.” A number of delegates remarked that there is no vision, rather we have a number of individual statements regarding each mode. There was also concern that the current vision work focuses on road infrastructure at the “cost of other modes”. Many delegates stated a vision should be consistent across all transportation modes. Even among those who agreed with the statement, there were concerns that “the strategy and means of achievement are far from adequate,” and “*Straight Ahead* is not a unifying vision statement”. Most surprising was that 55% of federal government respondents disagreed that we have a clearly stated vision.

“Consensus will always be the issue. ‘Me first’ is always what will slow things down or stop them.”

2. Canada needs to develop a national transportation plan.

87% of respondents stated that a priority for improving Canada’s transportation system is developing a national transportation plan. Developing such a plan was also cited as a key challenge to getting the transportation infrastructure system needed in Canada. This will require stakeholders to work together – industry and all levels of government. Public infrastructure investments should be based on the national transportation plan. Many delegates responded, “it is difficult to determine a spending plan without a comprehensive national transportation plan”.

3. It’s important to leverage public infrastructure investments.

Many delegates responded that when governments invest in infrastructure projects, they should try to leverage the investment through contributions from other levels of government and the private sector. This will “develop a larger pie for infrastructure”.

“Economics must overshadow votes, otherwise we risk building more white elephants.”

4. Investment criteria should focus on economic factors.

Most delegates supported the concept of using a cost-benefit analysis to determine which projects receive funding, while recognizing that not all worthwhile projects require a sound business case. Sometimes investments are required to support social objectives. Delegates stated that investment criteria may differ for urban/remote areas and freight/passenger projects. There was some concern over the impact of politics on investment decisions.

Unattributed quotes are from the surveys, with anonymity preserved.

5. Each level of government has different roles to play in regulating, taxing and making spending interventions.

Regulating. There was widespread agreement that the federal government's regulatory role should be in the areas of safety, security and the environment. There was less agreement about the appropriate regulatory role of provincial governments. Many commented that provincial governments should regulate for rural and remote services. Other areas for provincial regulation included: economic development, urban transportation, labour operating rules, and coordination of provincial/regional priorities. Local governments should have a minimal regulatory role – mainly to regulate for public transit.

Taxing. Delegates were generally supportive of federal and provincial government levying taxes – as long as they are dedicated. Some delegates cautioned that we need to bring taxation levels into “closer harmony with levels in the US” and to be aware of the cumulative taxation burden. Areas for local government taxation were more narrow; generally local governments should levy property and fuel taxes.

Spending. The federal government should spend: when the market is failing, to meet social objectives, to improve international image, and in rural and remote areas. Provincial governments should also spend in rural and remote areas, as well as for roads, public transit and urban connections between modes. Local governments should focus their spending on public transit and other urban transportation projects.

6. User pay for public infrastructure.

When asked whether they agree with the statement “user pay for public infrastructure is a desirable and viable option,” 75% of delegates agreed (51% agreed somewhat, 24% strongly). There was agreement that a user pay system would work in urban areas but would not be appropriate for rural and remote areas. Many supporters of a user pay system suggested other issues must also be considered: amount of “user pay”, whether “pay” is direct through tolls or indirect through fuel taxes, and the effect on competitiveness with the US. A frequent comment of those who disagreed was that Canadians are already taxed enough and user fees are just another tax.

7. There is support for change.

Delegates were very supportive of the concepts of regional transportation advisory committees, research for policy purposes, and different financing models. Comments included: “we are going to have to be more innovative and open minded”, “policy needs to be the mechanism for long term transportation vision”, and “important to have input”. Saskatchewan has used an equivalent to BC's regional transportation advisory committees since 1994. Delegates were also very supportive of the issues concerning investment priorities

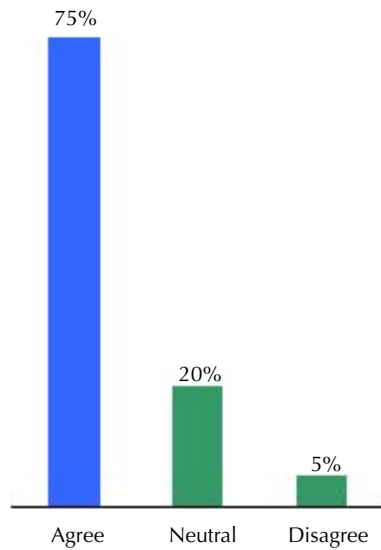
“I think local government should have a slightly larger share of total tax take so they can finance some local infrastructure without having to seek money from federal or provincial governments.”

“[User pay] is a desirable alternative but it will not cover all infrastructure – lots of the road network just could not sustain itself without a cross subsidy.”

“All systems contribute to economic development for the whole country. This is somewhat lost in the rhetoric.”

“I learned something.”

Different financing models are valid in a Canadian context



“The system will collapse without integration.”

and barriers for public transit, ports, airports and railways. Of public transit, one delegate commented, “[public transit] is absolutely necessary – I’m a user and it works”. Delegates believe in the role of “ports as economic development tools” and were surprised to learn that ports lack support from surrounding communities. Many delegates commented on the success of the large airports but expressed concern about small airports. Some delegates suggested more input from airport users is required. Delegates also supported the concept of public investments in rail, especially for shortlines or in cases where we will lose trade because the private sector cannot raise enough capital.

8. It is realistic to expect to achieve an integrated system.

There was widespread agreement (93%) that it is realistic to be able to achieve an integrated system. Some of the stumbling blocks are “the stakeholders who can not see the broader picture” and “misalignment of legislative and regulatory policy across federal, provincial, and municipal governments”. There were diverse views about who should take the leadership in creating an integrated system – ranging from all stakeholders (all levels of government and industry), to just industry, to only the federal government.

APPENDICES

PRESENTATION SUMMARIES

OPENING REMARKS

Hon. Ron Lemieux, Minister of Transportation and Government Services Government of Manitoba

Sustainable transportation infrastructure is the cornerstone of a connected, growing and vibrant nation of diverse communities. Through an historical overview of transportation in Canada, there is a long-term stewardship responsibility which goes along with infrastructure.

The Government of Manitoba has committed to pass a law requiring that all provincial revenues raised through gas and diesel taxes are spent on highways, roads and infrastructure. The new law will ensure that government is accountable for the revenues raised and invested. It will also guarantee that any new share in federal gas taxes will be invested in municipal infrastructure. The principle of this new law embeds sustainability as the cornerstone of infrastructure in Manitoba.

- Canada's network of land, air and marine infrastructure developed over centuries
- growth of each mode was dependent on external forces – economic development and invention of new modes of transport
- *marine infrastructure* was the early priority in Canada so that the waterways were navigable for the fur trade
- marine projects also were completed to defend Canada from American expansionist activities
- the Port of Churchill was established in 1931 – Manitoba strongly supports the port's viability and worked to avoid closure of the Port last spring
- *rail transportation* began in 1836, with the first railway linking the St. Lawrence River near Montreal with the Champlain River at St. Jean, Quebec
- in 1879, the federal government created a department of railways and canals; its first priority was to fund the transcontinental railway system which was completed in a short six years
- *automobile and truck transport* began in the early 1900s, which soon became an explosion of inter-urban infrastructure development
- by the 1920s, highway spending was the largest item in Manitoba's provincial budget; by the mid-1930s motor vehicle revenues were the single largest source of net revenues in the provinces
- federal investment in road infrastructure started in 1919 with \$20 million to support postwar reconstruction – not sustainability
- from the early 1900s the federal government collected substantially more from road related revenues than it spent on transportation – the federal policy is still in place today
- at a federal Liberal convention in 1948, grass-roots support exploded for a national highway program – resulting in a paved Trans-Canada road system which linked Canada from coast to coast by the early 1960s
- the incoming Prime Minister (Paul Martin) has indicated that federal fuel tax revenue sharing is coming
- *air transport* served to open up remote areas
- by 1926, Western Canada Airways was incorporated
- today, Manitoba operates more than 20 airports serving many remote communities

PANEL 1 – IDENTIFIED FUTURE NEEDS

Kristine Burr, Assistant Deputy Minister, Policy Transport Canada

Although the federal government made significant infrastructure investments in the past, it can no longer keep pace with increasing demands for infrastructure investment. In February 2003, the federal government released *Straight Ahead: A Vision for Transportation in Canada*, which provides an overarching vision of transportation and focuses on providing a framework to stimulate investment. Four areas were emphasized:

- Partnerships
 - involve other levels of government and private interests
 - useful to maximize infrastructure investments and private sector skills
- Integration
 - transportation providers must work together to design an efficient transportation system
 - transportation should be seen as a series of systems rather than as a series of individual modes
 - growth in intermodal traffic requires integration
 - new infrastructure is critical to growth but will need to look at new ways of financing investments as government resources will always be insufficient
 - need to work with what we already have
 - example of integration is the work underway to identify obstacles and opportunities for short sea shipping
- Cities
 - finding alternatives is most important in cities to reduce congestion and environmental impact
 - sustainability – economic, social and environmental
 - federal government is working to identify total cost of transportation
- Innovation
 - Government of Canada wants to be in the top five of innovative countries by 2010
 - *Straight Ahead* emphasized innovation – new ways, new rules and new standards are key elements

Andrew Horosko, Deputy Minister of Transportation Government of Manitoba

In 2002, the provincial and territorial transportation ministers released *Partnering for the Future: A Transportation Vision for Canada*. This was the first time such a consensus report was produced. An overview of the report and comments on *Straight Ahead* were provided.

- transportation challenges: globalization; infrastructure renewal; mobility, accessibility and safety; environment; effective decision making
- strategies to overcome challenges:
 - continue to make transportation system integrated and multi-modal
 - make significant infrastructure investments through a sustained funding program
 - promote culture of safety through training, monitoring and enforcement
 - promote mobility and reasonable access to transportation through strategic investments, particularly additional infrastructure for the North
 - promote secure borders and strong management for an efficient transportation system
- congratulated Transport Canada for *Straight Ahead*, especially for Chapter 2 (A Transportation Vision) as it reflects input provided by the provincial governments and the need for new governance models and road pricing
- criticized the federal government's characterization of responsibility for highways as minimal
 - highways are important to economy and to connect Canadians
 - collection of fuel taxes should lead to leadership for highway maintenance
 - will be difficult to gain public acceptance for road pricing as public believes they are already paying for roads through fuel taxes

PANEL 1 – IDENTIFIED FUTURE NEEDS (cont'd)

Dr. Roger Gibbins, President & CEO Canada West Foundation

The Canada West Foundation's (CWF) work on the drivers of economic prosperity has demonstrated transportation's importance. It became clear there was a need to raise public awareness of the importance of transportation, which in turn would increase political awareness. The lessons learned from a conference the CWF held and the findings of a recent CWF report on cities were discussed.

Building the New Dream Conference

- held in March 2003 to create tools for a public awareness campaign through sector groups identifying infrastructure needs
- subsequently realized CWF is not the right vehicle to sustain a public awareness campaign
- focusing on research strength – conducted research on urban transportation and urban infrastructure
- big city mayors have been successful in convincing Paul Martin the cities should receive a federal fuel tax rebate

A Capital Question

- no matter how you measure infrastructure deficit (investment in infrastructure as percent of GDP, per capita, percent of government expenditures, etc), it is large and growing
- governments have shifted from philosophy of investment to philosophy of consumption – have chosen to consume national wealth rather than invest it

PANEL 2 – INFRASTRUCTURE INVESTMENT: WHY, HOW MUCH AND WHERE?

Dr. Graham Parsons, President Organisation for Western Economic Cooperation

Released report prepared for WESTAC, *Opening the Arteries for Growth: Transportation in the Economic & Social Lives of Canadians*. The report illustrates that transport is at the economic heart of our country – there are virtually no sectors of the economy or of society that can do without transportation services.

Provided prescriptions for transportation health.

- conduct comprehensive project evaluations
 - need a rational, timely framework for investment decisions
 - framework should accommodate alternative demand management options such as pricing, rationing, staggered work hours
- adopt new technologies such as advanced traffic management, information to drivers, intelligent borders and customs clearance
- create a climate for investment
 - federal government takes more money out of roads than it seems to be returning; provinces spend more on roads than they collect in fuel taxes
 - federal government collects approximately \$400 million from airport rents
 - these fiscal distortions complicate investment decisions and efficient use of various modes
- institutional reform and competitive regulations
 - time for federal and provincial governments to get together with transportation sector to develop a National Transportation Plan and a National Transportation Fund
 - review transportation regulations with objective of having regulations which do not distort markets and support investments in technology, productivity and capacity

**Glen Weisbrod, President
Economic Development Research Group**

Studied the consequences of not investing in infrastructure; what is lost if investments are not made. Presented results of a study conducted for the Greater Vancouver Gateway Council which examined the consequences of not investing in infrastructure in the Greater Vancouver area.

- the Vancouver gateway region currently has 75,000 jobs in transportation with 145,000 indirect jobs in Western Canada
- enormous growth in car and truck traffic and rail tones will occur by 2021 (39%, 56% and 60% respectively) due to globalization and increases in containerization
- if “no build” scenario occurs (compared to an investment scenario):
 - capacity constraints:
 - o traffic congestion will add over 112,000 vehicle-hours of delay daily
 - o rail bridge limitations will reduce train activity by 11/day (if cargo switched to trucks will add 2200 trucks/day)
 - direct effects:
 - o car travel expenses increase by \$134 million per year
 - o truck by \$280 million per year
 - economic impact for all of Western Canada – 7,300 to 16,300 jobs lost – \$475 million to \$1.1 billion of GDP per year
 - action implications: other regions are also working to identify needs and make infrastructure investment decisions to meet global challenges

**Dr. Bill Waters, Professor Emeritus
University of British Columbia**

Using economic criteria and market-driven resource allocation systems conflict with the political process when determining infrastructure investments.

- economics of infrastructure differ for low density and high density markets
 - low density: scale economies, sunk costs, optimal price is low price
 - high density: user-borne costs (value of time) becomes largest cost category, marginal social costs greater than marginal private costs
- democracy is messy:
 - consensus is slow to achieve (if achieved at all), perceptions are often more important than reality, outcomes not predictable
 - tough decisions are difficult, a result may be that the politician loses the next election (eg if decide to keep one airport open instead of 3, 2/3 of voters will be unhappy)
- governance shortcomings in cities:
 - cities function by offloading problems onto each other
 - difficult to get technical criteria to dominate decisions as it is easy for citizens to lobby and have influence
 - commented on performance of urban transit – very little productivity gain in public transit; transit is largely exempt from commercial incentives
- institutional innovation is at least as important as getting more money – Canada could experiment with:
 - regional authorities, even in low density markets
 - more privatization
 - public private partnerships
 - ad hoc commission model where experts are appointed to resolve politically sensitive issues

PANEL 3 – INDUSTRY ROUNDTABLE - BREAKING THE INERTIA

Panelists:

David Bradley, CEO, Canadian Trucking Alliance

Roland Dorsay, President & CEO, Canadian Airports Council

Ray Johnston, President, Chamber of Maritime Commerce

Doug Kelsey, President & CEO, SkyTrain and West Coast Express (representing urban interests)

Cliff Mackay, President & CEO, Air Transport Association of Canada

Bill Rowat, President & CEO, Railway Association of Canada

What is the top item (physical, regulatory, etc) your (mode) sector needs in order to have better infrastructure that supports a strong (rail, air, airport, airline, trucking, bus, urban transportation, marine-port) industry? What is the stumbling block?

Bill Rowat

- railway infrastructure is primarily privately financed
- challenge is finding dollars to invest
- stumbling blocks include: inequitable tax treatment (among modes and with U.S. railways), unequal regulatory requirements, lack of full cost accounting for publicly funded infrastructure

David Bradley

- Canada needs a national highway policy
- Canadians are too willing to allow government to commit highway robbery (by not re-investing fuel taxes in roads)

Doug Kelsey

- a new long-term, sustained fiscal policy for infrastructure is required which also exempts federally funded projects from GST
- consider use of tax-free bonds to finance infrastructure projects

Ray Johnston

- Canada falling behind in meeting marine infrastructure investment needs
- ports need legislative environment which encourages investment
- Seaway needs decisions on its future
- the platform for navigational services needs to be modernized

Cliff Mackay

- consumers now pay for 100% of the cost of air services (airports, Nav Canada, security)
- biggest infrastructure issue is not how it gets paid for but how much money is taken out of the system
- need to have a better fiscal framework which does not treat the industry as a cash cow
- concerned with governance, have user pay but not enough user say (exception Nav Canada)

Roland Dorsay

- agreed with C. Mackay's comments
- top priority for airports is to break the inertia – there are lots of problems, lots of solutions offered but industry remains in a state of suspended animation
- review airport rents
- address small airport viability
- tremendous regulatory burden – government should assess cumulative impact of regulations

Scenario: The federal government has just allocated \$10 billion in new money to be spent on transportation. How would you go about determining how to spend that money? On what basis?

Doug Kelsey

- the transportation industry has work to do before it can help government decide where to invest money
- fundamental goal should be to leverage government money to make amount of money available to invest larger

Ray Johnston

- look at fit with industrial strategy, financial returns, public benefits
- Canada's industrial strategy should recognize that the only way Canada connects with emerging, international markets is through ships

Roland Dorsay

- infrastructure funds should be spent in places where the markets do not function
- larger airports and airlines do not want government money; they want government to stop taking so much of their money (rent, fuel taxes, aviation fees, etc.)
- small airports have a financial crisis – perhaps needed funds (\$100 - \$150 million per year) could be provided by returning portion of aviation fuel tax to small airports

Bill Rowat

- described steps government should follow:
 1. make a political decision to divide fund into three areas: commercial, trade-related projects; urban projects; remote projects
 2. for trade projects – identify strategic trade corridors and tributaries
 3. establish clear policy objectives and translate into investment criteria
 4. do a social cost benefit analysis based on full cost accounting
 5. look to leverage funds into a considerable multiple through public-private partnerships and with contributions from provinces

What in your view is the meaning of the term, an “integrated transportation system”? What would it take to achieve such a system?

Doug Kelsey

- to develop an integrated transportation system it is important to establish what is not on the table as it is not possible to do everything
- ties in with optimization

Ray Johnston

- we already have an integrated transportation system – the connections exist
- it is a continuous process to work to optimize the system
- should also have regulatory integration – currently there are too many uncoordinated departments making rules with a poor understanding of cumulative impacts

David Bradley

- integration is not:
 - integration for sake of integration
 - a euphemism for modal shift
 - de facto more of one mode and less of another
 - taking freight away from trucks
- integration should:
 - improve net efficiency
 - increase level of aggregate demand for the economy so there will be more freight for all modes
- need to look beyond having integration in the transportation sector – we need an integrated industrial policy
- to increase jobs – tax, labour and transportation policies must be integrated into industrial policies

Every industry/sector agrees that the playing field needs to be level – yet each thinks it is at a disadvantage. How would you address this statement?

Cliff Mackay

- need to find ways for market forces to work efficiently
- many interventions distort marketplace
- decision criteria should include an assessment of intermodal implications – ideally policies would be modally-neutral

Roland Dorsay

- proper pricing signals provide the best way for the market to work
- need to be mindful of policy's impact on international competitiveness, especially with the US

David Bradley

- should not settle for level playing field – should strive to have a Canadian advantage
- need to stop internal naval gazing and realize Americans are eating our lunch

Bill Rowat

- there are two elements to a level playing field:
 - need advantage on the continent
 - modal neutrality
- emphasis should be on having a level playing field on the North American continent
- compared tax and regulatory system in Canada versus the US for railways:
 - railway assets written off in 20 years in Canada vs. 8 in the US
 - regulatory reports filed by railways: 60 reports in Canada, researching figure for US but is much lower
- US views transportation infrastructure as fundamental to the economy while in Canada transportation is seen as a sector which must compete for funds

In a country where transportation is market-driven, what is the appropriate role of the federal government? Provincial government? Local governments? in regulating, taxing and making spending interventions.

Roland Dorsay

- federal government should provide policies which foster success in areas of safety, security and environmental protection
- where regulation is needed, the government should set performance-based standards
- when government develops social policies it should also pay for them
- there is an inherent conflict when government is both regulator and landlord; it should get out of the landlord function
- additional role for government is to supplement private sector investment

Doug Kelsey

- supported R. Dorsay's comments
- government should help in areas of safety and security
- another role for government is to help with a knowledge and information transfer – it would be helpful if government could transfer knowledge across the industry

Cliff Mackay

- supported R. Dorsay's comments
- core area of activity for government should be safety and security
- appropriate economic role for government in the air industry is as an intervenor of last resort
- liberalizing market access in the air industry should be a government priority

How important is the transportation funding and regulatory environment in the US to the industry in Canada? Why or why not?

Ray Johnston

- a comparison is extremely important for marine as the US is our largest trading partner and competitor
- US has better tools for ports to access funding
 - US government invests directly in port system, including for security while the Canadian ports must fund security costs on their own

David Bradley

- it is imperative that we always be aware of what is happening in the US
- provided an example of how integrated the manufacturing process is between Canada and the US – piston made in Ontario, shipped to Detroit where it becomes part of an engine, which then goes back to Windsor for installation in a mini-van, which is then shipped back to the US for distribution through the dealer network
- if transportation/border crossing is not efficient, manufacturers will move to the US

Bill Rowat

- extremely important to focus on US
- Canada's manufacturers and exporters rely on a competitive transportation system
- Canadian firms face tougher taxes and regulatory environment with less public money invested in transportation
- ultimate results will be exporters and manufacturers looking to relocate in the US

Cliff Mackay

- US comparison is equally critical for people
 - need smooth flow of people across the border
- in US more than \$5 billion was spent on security through general tax revenues (almost 0% from passengers); in Canada 100% of security spending was paid for by passengers

PRESENTATION: A SUCCESSFUL OLYMPIC BID: LEVERAGING TRANSPORTATION

Doug Kelsey

President & CEO

SkyTrain and West Coast Express

As Chair of the transportation committee of Vancouver 2010 Bid Corporation, provided delegates with an overview of the transportation challenges the team faced and how they are being addressed. Lessons learned from the bid:

- important to define at the beginning what you want as an outcome
 - goal should be lofty and believable
 - focus on shared interests that achieve bigger outcomes
- create a sense of urgency through forced time-lines
- define tangible outcomes
- communication is key – engage partners in reasonable dialogue

PRESENTATION: A TRANSPORTATION PACT – BY INDUSTRY, FOR INDUSTRY

Cliff Mackay, President & CEO Air Transport Association of Canada and Chair, Transportation Optimization Pact

The Transportation Optimization Pact (TOP) is a coalition among transportation associations which will urge the government to view transportation as an essential element of Canada's economic success and competitiveness, adjusting its policies to support increased efficiency and economic growth through stronger transportation services. The idea for TOP originated over a two day meeting on board the Rocky Mountaineer. During the meeting the word "optimal" kept coming up – we all want an optimal transportation system.

The group struggled with the question of whether they could work together as the member interests are diverse. Announced that the Boards of all the associations have agreed to support the TOP initiative.

TOP consists of the following core members: Association of Canadian Port Authorities, the Canadian Airports Council, the Canadian Trucking Alliance, the Chamber of Maritime Commerce, the Railway Association of Canada, the Greater Vancouver Transportation Authority, Motor Coach Canada and the Air Transport Association of Canada.

TOP is working towards getting other stakeholders involved, especially groups such as shippers, tourist industries, hoteliers. The voice of these others may be more powerful on issues TOP will bring to policy-makers.

Principles the group agreed on for the transportation system:

- market-driven
- maximize trade advantages
- provide efficient, quality choices
- enhance viability of service providers
- optimize returns: to public and private investors

TOP core members have agreed to:

- articulate a vision for transportation
- define common principles
- focus on common agenda items and avoid competing items
- present a united front to government and others such as the financial community.

DINNER KEYNOTE

Hon. Perrin Beatty, President & CEO Canadian Manufacturers and Exporters

Canada's manufacturers and exporters recognize the importance of transportation infrastructure to their success. Presentation focused on one element of transportation infrastructure – the flow of goods across the border to the US. Provided answers to three questions:

1. *What is the importance of secure and efficient borders?*

- statistics:
 - \$1m US of trade flows across our border every single minute, 24 hours a day, 7 days a week, 52 weeks a year
 - 200m people cross the border every year
 - more than 80% of Canada's exports go to the US
 - US conducts more two-way trade across the Ambassador Bridge than it does with any other single country
 - Canada provides 9% of all the oil consumed in the US
- the economic relationship between Canada and US is so interlocked that our Ambassador to the US refers to relationship as "intermestic" – not domestic, not international, but a mixture of both
- since the Canada-US Free Trade Agreement came into effect manufacturers have strengthened this partnership through closer business links, integrated production systems, establishing complementary transportation infrastructure
- North America now viewed as a single market

2. *What is your vision on how North America's borders should be managed?*

- believes the aftermath of 9/11 will prove to be the turning point in the broader economic relationship between Canada and the US
- clear that Canada needs to be on the inside when US strengthens its border
- the 30-point Smart Border Accord has surpassed expectations; as part of the Coalition for Secure & Trade Efficient Borders, supports the security recommendations of:
 - offshore interception – detect problems before they arrive in Canada or the US
 - first point of entry into North America – process people and goods only once when they enter North America

- have "smart" infrastructure at borders – fast track pre-cleared, low risk goods and travelers; allow border authorities to concentrate on high-risk movements

- this approach does not eliminate the Canada-US border – it would manage existing practices and establish new steps to protect North American citizens
- customs and security officials should focus on identifying high risks and allow low-risk people and goods to do business easily

3. *How smart are our borders and what should be the next steps?*

- programs such as NEXUS and FAST will only be successful if physical infrastructure improvements are made along the border; the \$600m Border Infrastructure Program is helping
- our internal border will only be smart if our external perimeter is secure
- additional work needs to be done:
 - Canada needs to continue efforts to ensure pre-notification requirements for cargo reflect the realities of cross-border commerce
 - determine who will pay for added security
 - need to realize security is for the benefit of society as a whole – not just for travelers and shippers
 - ensure that security not used as an excuse for costly and unnecessary data gathering on businesses and individuals
 - develop best practices for ensuring security and educate businesses on their role

PANEL 4: BEST PRACTICES AND ALTERNATIVES IN INVESTING

Kathie Miller, Assistant Deputy Minister, Policy and Planning BC Ministry of Transportation

The greatest challenge for the BC Ministry of Transportation is finding significant resources for transportation infrastructure projects. Three models are now being used in BC.

- Greater Vancouver Transportation Authority (GVTA)
 - transportation network development was fragmented as planning was done separately by: more than 20 municipalities, GVRD (Livable Region Plan), BC Transit and BC Ministry of Transportation
 - established the GVTA in 1998
 - model has been successful – process is more efficient and is more responsive to local needs
 - must receive approval from the GVRD for revenue increases
- BC Ferry Authority
 - determined the appropriate role for government is to encourage competition and limit financial exposure for ferry operations
 - modeled after Vancouver Airport Authority
 - o self-financed, independent from government, no share capital corporation
 - o difference is a commissioner office oversees rates and service levels
- Regional Transportation Advisory Committees (RTACs)
 - 8 RTACs have been established within eight economic development regions of province, excluding the Lower Mainland
 - report directly to Transportation minister
 - provide regions a greater say in planning but do not have funding responsibility nor do they have responsibility for building projects
 - purpose is to provide business case for priority projects

Dr. Margaret M. Hill, Director, Research and Analysis Infrastructure Canada

Provided background information about Infrastructure Canada and its research component. The overarching goal is to develop longer-term strategic approach to meeting Canada's infrastructure needs by research in four areas.

- assessing the existing state of knowledge
 - good news is that for transportation, the infrastructure needs have been examined both by type of infrastructure and as a sector
 - bad news is that the studies are generally not sufficiently objective and credible for policy purposes
- profiles of transportation infrastructure
 - roads account for 45% of capital assets at local level, 69% at provincial and 19% at federal
 - recent Statistics Canada papers on infrastructure show the marginal benefits of infrastructure are higher in transportation
 - described federal programs: Infrastructure Canada Program, Strategic Infrastructure Fund, Border Infrastructure Fund
- conceptual issues
 - questioned whether talking about transportation infrastructure or infrastructure required for a strong transport sector
 - need to sort out the differences between financing, funding and investing
 - what is the investment problem
 - would like to establish a tools-based analytical framework
 - o recognize there are a variety of ways to invest in infrastructure (direct investment, public awareness, research)
 - o financing tools (such as loans, bonds, PPP, user fees, development charges) are complementary and may be substitutable
- future research
 - determine what are the best tools
 - define the "infrastructure problem"
 - o will need more rigorous understanding of kinds of needs and understanding of political, economic, social, environmental and other factors
 - o what are the pressures shaping future needs
 - tools: understand how and why they work, how to mix tools to leverage results, barriers to implementation, learn lessons from other countries

Fred Culbert, Principal Banjar Consulting Inc.

Discussed tax-exempt financing – how such financial instruments are a factor in competitiveness; and the barriers and benefits for use in Canada.

- Canada has limited experience with tax-exempt financing
- Ontario recently established the Ontario Municipal Economic Infrastructure Financing Authority which issues Ontario Opportunity Bonds to fund municipal projects
- tax-exempt financing is a long-established practice in the US
 - o common with airport and port authorities
 - o major differences with Canada – US airports and ports have taxation authority and commissioners are elected
 - o port and airport authorities can do debt financing through general obligation bonds or revenue bonds
 - o may also be exempt from state and local taxes depending how the bond is structured
- features of general obligation bonds
 - o secured by credit of issuer
 - o (usually) supported by taxing power of the authority
 - o voter approved
 - o used to finance general infrastructure
 - o secured by revenue from tolls, fees, and charges or rents paid by users of facilities
 - o used for roads, bridges, highways, airports
- US market size: \$1.7 trillion US – 5 million households
- estimate Canadian market at 10% = \$170 billion

Case studies of projects on the US West Coast

1. Port of Portland – Terminal 5 – “perfect financing”
 - originally a coal terminal which never shipped any coal, turned into a potash terminal in 1997, 4.5B tones/year capacity
 - tax-exempt financing is only one factor in its competitiveness, other factors include: sharp rail rate, ability to handle panamax ships, shippers’ desire to export through more than one port
 - \$45m in improvements were needed to convert terminal
 - issued special obligation revenue bonds to finance 100% of terminal improvements
 - terminal operator has ground lease for the property

- facility lease covers bond re-payment
 - o 30 year term, tax exempt at 6%
 - o revenue bonds are not a liability to port – do not appear on Port’s balance sheet
 - o effort required to meet IRS criteria to achieve tax-exempt status including: lessee elects not to claim depreciation, lease term does not exceed 80% of economic life of facility
- 2. Port of Seattle – Terminal 18 – container terminal
 - container liners are flexible on which ports to call if do not have ownership interest in terminal
 - financed by \$219m special facility bond issued by Port
 - 6.5% bond repayment is backed solely by facility lease of terminal operator
- 3. Alameda Corridor – “a toll road for railways”
 - joint powers authority of cities of Long Beach and Los Angeles (ports are departments of the cities)
 - \$2.4 billion project – 30 mile corridor
 - consolidated rail corridors, joining Ports of Long Beach and Los Angeles
 - financed by proceeds of taxable and tax-exempt bonds; revenue bonds raised \$1.2 billion (50% tax-exempt)
 - total financing ~ \$2.5 billion, including state, local, and federal government financing
 - ports paid \$394 million to railways to buy right-of-way
 - charges and fees levied vary depending on type of railcar
 - pay approximately \$80m/year interest; collecting \$60m/year revenues
 - ports are to advance any shortfalls if revenue collected does not meet debt repayment
- benefits of tax-exempt financing:
 - greater access to capital – volume of capital
 - improved competitiveness – lower lending rates, longer amortization
 - incentives for third party development
 - more rational approach to investment decisions
- issues to be resolved:
 - need to show government tax revenue losses would be more than made up for by increase in economic activity
 - differential treatment for other sectors
 - defining what type of project is eligible
 - governance model in US is different – commissioners are elected

PANEL 5: INVESTMENT PRIORITIES AND BARRIERS

Michael Roschlau, President & CEO Canadian Urban Transit Association

Discussed the investment priorities and offered public transit as a viable solution to reduce congestion in our cities.

- public transit faces a lack of long-term sustainable investment and a well-defined federal role
- \$15 billion is needed in next 5 years for transit capital: over 1/3 is for replacement and renewal; only 1/2 is fundable by existing programs
- desires smart growth
 - competitiveness depends on balance between economic and population growth on one hand and sustainability on the other
 - target should be sustainable transportation, but are falling short in two areas: environment and fact that urban areas are running out of land
 - options are build more roads, travel less or travel smarter
 - preferred choice is strategic access regulated by full cost accounting so the public recognizes impact of their travel decisions
 - provide incentives to provide people with a better sense of the impact of their travel decisions – ie. paying for use of land in a way that gets noticed
 - dedicate revenue from user charges directly to invest in sustainable transportation
 - integrate land use planning to increase density in specific corridors
- public recognizes the importance of public transit: “not enough transit” is the biggest transportation problem in cities
- funding public transit is a challenge
 - 90% of transit funding comes from local governments – this level is not sustainable
 - increasingly, provinces are dedicating a portion of fuel taxes to transit
 - new funding models are needed
 - a substantial increase in federal and provincial investment is needed – shift to transit, cycling and walking; use road tolls, parking taxes, congestion charges, fuel taxes to pay for transit
 - change land use planning guidelines to provide real incentives to implement smart growth
 - offer tax exemption to employers for those who provide transit pass benefits
 - expand transit priority measures: reserved lanes, yield to buses, and signal priority
 - \$1 billion for transit could be generated by increasing fuel tax by only 2 cents per litre; most people would be willing to pay the increase if it was dedicated to transit

Capt. Gordon Houston, President & CEO Vancouver Port Authority

Discussed priorities and barriers to greater investment in ports. Not all investments are financial; without changes the port community will be unable to handle all of the business coming to Canada. Growth forecasts to 2020 for the Port of Vancouver include increases of 30% for bulk products, 20% for cruise passengers and 310% for containers (now projected between 6 and 6.3 million TEUs annually).

- some financial investments are required:
 - changes to Canada Marine Act, raising borrowing limits, pledging land, reducing stipend
 - BC Government has recently changed property tax system – direct result is container terminal expansion at VPA and TSI’s purchase of new cranes for Deltaport – these investments have only been made because of the reduced property taxes
- barriers to investment include:
 - lengthy permit, planning and approval process (approximately 2 years)
 - operating within a large urban area
 - large amount of capital required
- ports are all about economic development but challenge is how do we make sure economic development is done in a rational way when system is set up to ensure ports compete with one another
- ports need support
 - if every delegate made 3 speeches per year about transportation, would be one a day
 - local governments and public do not understand transportation – they do not understand the economics and do not understand the benefits of the industry
 - there is a complete disconnect between cities and port authorities
 - ports need a culture of support and understanding from federal government, provincial government, local governments and public
- it is the industry’s responsibility to educate governments and the public – the industry needs their support

Ralph Peterson, VP Finance, CFO & Corporate Secretary

**Matt Colpitts, Manager of Business Analysis
Edmonton Regional Airports Authority (ERAA)**

Provided an overview of financing options for airport terminal expansion considered by ERAA and discussed barriers to investment faced by all airports. The airport authority model has worked well – local airport authorities have invested to fix decaying infrastructure and improvements to airport services; they have transformed money-losing entities into efficient operations.

- financing options available to large airports:
 - operating cash flow: airside revenue, parking and concession revenue, develop lands
 - privatization (build-operate): airport derives land rent for pre-determined period of time and ownership of facility subsequently transferred to airport; helps on construction and financing costs
 - P3: builds on experience of each partner to meet clearly defined needs and provide net benefit to public with allocation of resources, risks, and rewards
 - AIF: users pay for construction; provides a fair amount of transparency and accountability for how the money is used
 - airport debt
- ERAA's financing history:
 - revolving credit facility used at beginning of construction program (disadvantages: limited funds available, subject to interest rate fluctuations, short term)
 - AIF – used to support line of credit and also the bond issue – revenue used exclusively for major capital program (airport terminal redevelopment)
 - bond issue: \$250 million, 30 year term, matched debt servicing payments with ability to pay, contains rate covenants, partially backed by line of credit
- reasons why investors would invest in an airport authority: monopoly service provider, strength of provincial economy, good credit rating
- barriers to investment in airports:
 - susceptibility to changes in demand: economics, terrorism, SARS, airline failures
 - ground lease rent – airports need certainty and resolution on this issue, is a concern of investors
 - proposed *Canada Airports Act* has potential to add regulatory burden, increasing costs; reduce rate setting ability

**Doug Smith, Executive Vice President
OmniTRAX, Canada Inc.**

Public sector investment in rail infrastructure is necessary. Provided an overview of the type of projects for which the public sector should provide capital. Related his experience in the US, as an operator of intermodal terminals, to the situation in Canada.

- public sector investment is necessary
 - private freight networks, making profit – do they need public money
 - North American rail network is nearing capacity at many points in the network
 - demand for rail transportation will continue to grow, for containers and commodities
 - alternatives to rail (primarily trucking) are facing same capacity constraints
 - investment requirements to improve safety and environment are significant
- even with public sector investment, railways would still invest heavily in infrastructure projects
- types of projects requiring investment:
 - on-going maintenance
 - network realignments
 - reduce grade crossings
 - increase capacity / reduce bottlenecks
 - safety and environmental mitigation
 - line upgrades – higher weight carrying ability, especially for shortlines
 - access – need infrastructure to support intermodal facilities
 - technology improvements such as electronic braking
- benefits:
 - for national economic growth
 - lower prices for consumers
 - improve regional and local economic competitiveness
 - offload need to increase capacity of highway infrastructure, working in partnership with motor carriers
 - safety and environmental mitigation
- arguments against public investment:
 - may lead to competitive imbalance
 - shortfall in public funds
- other issues to consider:
 - what is the nature of the optimal supply chain
 - who should pay for the peak
 - who owns the investment if government assists
 - should shippers get lower rates? suggests no as the public benefits should pay for the investment

PANEL 6: INTEGRATING THE SYSTEM

Hon. Mark Wartman, Minister Saskatchewan Highways and Transportation

The provincial western ministers of transportation are working together to develop a strategic plan for western Canadian transportation. Although the strategy is in the early stages, he was able to discuss on a conceptual basis the direction in which they are heading. The ministers are not developing a strategy which is separate from the rest of Canada. Rather, the strategy will recognize that the west is key to develop Canada and that transportation is a vital component to a prosperous nation

- in 2002, the western provincial ministers of transportation decided to work together through the Western Ministers Transportation Council
 - designed to enable closer co-operation on policy, planning, regulation and research
 - creates a forum to consider transportation from a regional basis
 - agreed to a memorandum of understanding dealing with harmonization of weights and dimensions for hauling hay
 - at federal level, allows provinces to combine resources to advocate for a co-ordinated transportation strategy
 - strategy will work on addressing the question of what provinces need to do to develop a western regional strategy which will enable Canada as a whole to prosper
 - one key area is infrastructure renewal
 - no one level of government can address on its own
 - examining investment options on a regional basis
 - developing a framework to promote regional transportation and trade activities to enhance economic growth
 - greater priorities should be given to strengthening the national highway system and links to border crossings
 - important to link rural areas to transportation corridors to revitalize rural and remote Canada
 - better collaboration is key for economic growth; collaboration can reduce costs for shippers, enhance mobility
 - broad transportation goals of strategy include: mobility, economic growth, safety and security, and protection of environment
 - to achieve these goals need stable, adequate transportation infrastructure funding
- will foster improved performance of transportation system through enhanced regional co-operation in areas of provincial responsibility
 - partnerships that strengthen relationship between government and private sector are important
 - will define criteria for components of strategic network and will work together to build the strategic network
 - investment and policy decisions can be prioritized according to their ability to transform the network to meet the evolving needs and contribute to the economic or social development of the region as a whole
 - demand for infrastructure investment exceeds province's capacity to fund improvements
 - considering user pay; but, who is the user as everyone benefits at least indirectly from investments
 - want to ensure one province does not compete against another; provinces should work together to make region more successful
 - there is a role for the federal government in developing a regional and national transportation strategy
 - need a comprehensive transportation policy which integrates all modes
 - appropriate and enabling regulations
 - Western provinces have proposed key points to establish an effective national transportation policy framework:
 - promote competition to achieve efficient and customer-oriented rail, air, and marine services
 - shippers must be provided with competitive rail service while meeting needs of railways for appropriate and enabling regulation and revenue adequacy
 - federal commitment is needed to improve the financial health of airport system and to ensure the competitiveness of air service system is maintained
 - support of Canada Marine Act Review Panel recommendations may lead to streamlining marine legislation while enhancing ports' ability to access capital
 - use federal fuel taxes for investments in transportation infrastructure
 - on-going and predictable infrastructure funding would lead to better, more logical planning

**Bob Wilds, Managing Director
Greater Vancouver Gateway Council (GVGC)**

The GVGC has been a successful model of how to achieve consensus among competing interests.

- vision is to become the Gateway of Choice for North America
 - to achieve vision must: identify and address issues affecting competitiveness; increase awareness of the importance of the Gateway to local, provincial, and national economies
- two classes of membership: dues paying/voting (service providers in the Gateway), associate/resource members/non-voting (can participate on any committees)
 - operates on the basis of consensus
 - every project has a committee to work on the project
 - o includes employees of member companies and representation from associate members
 - o try to ensure each committee has a broad range of expertise and that representation includes all levels of government when necessary
- example of recent project – development of a Major Commercial Transportation System
 - established a Technical Committee which worked over many months to achieve consensus on what the system should achieve, what it should consist of and what investments were required to implement
 - two additional committees later established: Rail and Waterborne; reports prepared which identifies specific needs of these sectors
 - project succeeded because parties established common objectives, left vested interests at the door and provided constructive input on contentious issues – group was able to reach consensus on what had to be done and developed a general priority of the identified projects
 - o developed a list of first, second and third priority groupings, eliminating disagreement over which specific project should be done first
- GVGC model has been successful
 - reduced property taxes for rail
 - achieved a free trade zone for air cargo
 - has a good reputation in the region and with federal Minister of Transport
 - pioneer to bring modes together and speak with a single voice

CLOSING REMARKS

**Dave Gardiner, Executive Director
WESTAC**

If WESTAC's infrastructure initiative has been successful, we will not need such an event again – the delegates should only need to come together to report back on progress made.

- have defined the infrastructure needs
- have experienced a flurry of visionary activity
- re-affirmed belief in market-driven system while recognizing exceptions for rural and remote areas, broader social economic and environmental objectives where interventions will be necessary
- begun to realize society and economy share transportation system but economy is 100% reliant on transportation system
- a lack of investment equals loss of growth opportunities
- imperative we begin to act
- where do we need to go?
 - philosophy of investment needs to replace philosophy of consumption
 - transportation strategy must be viewed as part of broader industrial strategy
 - level playing field refers more to international competitiveness than to domestic modal equality
 - integration refers to continental and global integration
 - focus will be on strategic investments
 - correct pricing signals, including for roads, will be evident – will continue moving towards a user pay system with appropriate level of user say
 - investments which can be leveraged will take priority
 - streamlining – “intermestic” economy will flourish only if appear to have a borderless border
 - regulatory burden will be lightened
- how do we get there?
 - build on what's begun: *Straight Ahead*, Western Ministers Transportation Plan, TOP, GVGC, NCDC
 - finish unfinished business: implement recommendations of CTA Review Panel, CMA Review Panel and get the appropriate regulations in place
 - exploit open windows of opportunity – new Prime Minister with new focus, tools provided by Infrastructure Canada
- users, service providers, government and labour must work together to advance common issues and objectives for good of the industry and the nation

CONFERENCE PROGRAM

WEDNESDAY NOVEMBER 26, 2003

8:00 am **Opening Remarks: Partnerships and Sustainability**
Hon. Ron Lemieux
Minister, Transportation and Government Services, Government of Manitoba

Ruth Sol, President, WESTAC

8:30 am **Panel One: Identified Future Needs**

Moderator **Peter Wallis**
President & CEO, The Van Horne Institute

Panelists **Straight Ahead – A Vision for Transportation in Canada**
Kristine Burr
Assistant Deputy Minister, Policy, Transport Canada

Partnering for the Future – A Provincial/Territorial Vision for Transportation
Andrew Horosko
Deputy Minister of Transportation, Government of Manitoba

Building the New Dream Conference
Dr. Roger Gibbins
President & CEO, Canada West Foundation

Questions and Discussion

10:00 am **Morning Break – Sponsored by: CN**

10:30 am **Panel Two: Infrastructure Investment: Why, How Much and Where?**

Moderator **Ruth Sol**
President, WESTAC

Panelists **Opening the Arteries for Growth**
Dr. Graham Parsons
President, Organisation for Western Economic Cooperation

Consequences of a Lack of Investment
Glen Weisbrod
President, Economic Development Research Group

Better Evaluations and Mechanisms
Dr. Bill Waters
Professor Emeritus, University of British Columbia

Questions and Discussion

12:00 pm **Lunch – Sponsored by: VIA Rail**

1:30 pm **Panel Three: Industry Roundtable – Breaking the Inertia**

Moderator **Greg Arason**

Panelists **Bill Rowat**
President & CEO, Railway Association of Canada

David Bradley
CEO, Canadian Trucking Alliance

Ray Johnston
President, Chamber of Maritime Commerce

Cliff Mackay
President & CEO, Air Transport Association of Canada

Roland Dorsay
President & CEO, Canadian Airports Council

Doug Kelsey
President & CEO, SkyTrain and West Coast Express

3:30 pm **Afternoon Break – Sponsored by: CN**

4:00 pm **Presentation: A Successful Olympic Bid:
Leveraging Transportation**

Doug Kelsey
President & CEO, SkyTrain and West Coast Express

4:30 pm **Presentation: A Transportation Pact
– By Industry, For Industry**

Cliff Mackay
*President & CEO, Air Transport Association of Canada
and Chair, Transportation Optimization Pact*

Questions and Discussion

5:30 pm **Reception – Sponsored by:**
*The St. Lawrence Seaway Management Corporation
& CAW - Canada*

6:30 pm **Dinner – Sponsored by:**
Vancouver Port Authority & CP Rail

Keynote Speaker

Hon. Perrin Beatty
*President & CEO
Canadian Manufacturers and Exporters*

THURSDAY NOVEMBER 27, 2003

7:00 am **Hot Breakfast** – *Sponsored by:*
Canadian Transportation Agency

7:30 am **Railway Hall of Fame Induction**

8:00 am **Panel Four: Best Practices and Alternatives in Investing**

Moderator **Glen Findlay**

Panelists **Regional Transportation Advisory Committees**
Kathie Miller
Assistant Deputy Minister, Policy and Planning, BC Ministry of Transportation

The Role for Research - The Federal Government Perspective
Dr. Margaret M. Hill
Director, Research and Analysis, Infrastructure Canada

Financing Infrastructure
Fred Culbert
Banjar Management Inc.

Questions and Discussion

9:30 am **Morning Break** – *Sponsored by:*
Railway Association of Canada

10:00 am **Panel Five: Investment Priorities and Barriers**

Moderator **Dr. Barry Prentice**
Director, University of Manitoba Transport Institute

Panelists **Municipal Infrastructure Investment Needs and Financing**
Options for Public Transit
Michael Roschlau
President & CEO, Canadian Urban Transit Association

Investing in Ports
Capt. Gordon Houston
President & CEO, Vancouver Port Authority

Investing in Airports (*joint presentation*)
Ralph Peterson
VP Finance, CFO & Corporate Secretary, Edmonton Regional Airports Authority
Matt Colpitts
Manager of Business Analysis, Edmonton Regional Airports Authority

Public Investments in Rail
Doug Smith
Executive Vice President, OmniTRAX, Canada Inc.

Questions and Discussion

11:30 am

Panel Six: Integrating the System

Moderator

Dr. Bill Waters

Professor Emeritus, University of British Columbia

Panelists

The Western Transportation System Strategic Plan

Hon. Mark Wartman

Minister, Saskatchewan Highways and Transportation

The Gateway Model

Bob Wilds

Managing Director, Greater Vancouver Gateway Council

Questions and Discussion

12:45 - 2:00 pm

Closing Lunch

Presentation: The Building Blocks for Success

Dave Gardiner

Executive Director, WESTAC

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Anderson, Don

Vice Chairman / National Legislative Board
Brotherhood of Locomotive Engineers
Ottawa, ON

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General Teamsters Local Union 979
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Director, Greater Vancouver Regional District
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Vancouver, BC

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SURVEY ONE

Please categorize yourself (check all appropriate):

- | | | | |
|---------------------------------|---------------------------------------|--|--|
| <input type="checkbox"/> Air | <input type="checkbox"/> Carrier | <input type="checkbox"/> Service Provider | <input type="checkbox"/> Federal Government |
| <input type="checkbox"/> Marine | <input type="checkbox"/> Shipper | <input type="checkbox"/> Traveler/Passenger | <input type="checkbox"/> Provincial Government |
| <input type="checkbox"/> Rail | <input type="checkbox"/> Labour | <input type="checkbox"/> Consultant/Academic | <input type="checkbox"/> Local/Regional Government |
| <input type="checkbox"/> Road | <input type="checkbox"/> Other: _____ | | |

1. We have a clearly stated vision for Canadian transportation (Panel One). Why or why not?

Agree strongly	Agree somewhat	Neutral	Disagree somewhat	Disagree strongly	Don't know, NA
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2. Circle **one** of the items below as the **first priority** for infrastructure and give reasons (Panel Two):

- Manage infrastructure needs through greater efforts to make better use of what we have now.
- Be strategic by investing into today's urgent bottlenecks.
- Plan and invest in a large scale, multi-modal infrastructure renewal initiative.

3. User pay for public infrastructure is a desirable and viable option. Why or why not?

Agree strongly	Agree somewhat	Neutral	Disagree somewhat	Disagree strongly	Don't know, NA
----------------	----------------	---------	-------------------	-------------------	----------------

4. What are the appropriate criteria for public investment projects? Do all worthwhile transportation infrastructure projects need a sound business case?

5. What is the key challenge to getting the transportation infrastructure system needed in Canada? How can this challenge be met?

6. The paper, *Opening the Arteries for Growth*, on page one, lists several priorities for improving Canada's transportation system. Do you agree with these? (scale 1 for high priority, 5 for low/no priority)

An industry-led vision		Evaluating investment options for infrastructure	
A national transportation development plan, an implementation fund and an agency		Evaluating demand management options as an alternative to capacity investment	
More competitive fiscal & tax treatment		Identifying transportation technologies to improve the environment	
Reducing congestion costs		Improved North American competitive environment for transportation	
Estimating capacity constraints		A new regulatory & institutional framework	

SURVEY TWO

Please categorize yourself (check all appropriate):

- | | | | |
|---------------------------------|----------------------------------|--|--|
| <input type="checkbox"/> Air | <input type="checkbox"/> Carrier | <input type="checkbox"/> Service Provider | <input type="checkbox"/> Federal Government |
| <input type="checkbox"/> Marine | <input type="checkbox"/> Shipper | <input type="checkbox"/> Traveler/Passenger | <input type="checkbox"/> Provincial Government |
| <input type="checkbox"/> Rail | <input type="checkbox"/> Labour | <input type="checkbox"/> Consultant/Academic | <input type="checkbox"/> Local/Regional Government |
| <input type="checkbox"/> Road | | <input type="checkbox"/> Other: _____ | |

Panel Three: Industry Roundtable

1. **Scenario:** The federal government has just allocated \$10 billion in new money to be spent on transportation. How would you determine:

How to spend that money?

Through what institution?

Using what criteria?

2. **Canada's transportation system is market-driven.** What then is the appropriate role of governments in regulating, taxing and making spending interventions?

Federal Government

Regulating _____

Taxing _____

Spending interventions _____

Provincial Governments

Regulating _____

Taxing _____

Spending interventions _____

Local Governments

Regulating _____

Taxing _____

Spending interventions _____

Possible areas:

- Safety
- Security
- Border security
- Environment
- Disabled access
- Rural/remote services
- Foreign trade
- Impact modal shifts
- International image
- Workforce/job impacts
- Public transit
- Urban transportation
- Economic development
- Dedicated taxes

SURVEY THREE

Please categorize yourself (check all appropriate):

- Air
- Marine
- Rail
- Road
- Carrier
- Shipper
- Labour
- Service Provider
- Traveler/Passenger
- Consultant/Academic
- Other: _____
- Federal Government
- Provincial Government
- Local/Regional Government

1. Are the approaches discussed in Panel Four: Best Practices & Alternatives, valid in a Canadian context?

a. Transportation advisory committees. Why or why not?

Agree strongly	Agree somewhat	Neutral	Disagree somewhat	Disagree strongly	Don't know, NA
----------------	----------------	---------	-------------------	-------------------	----------------

b. Research for policy purposes. Why or why not?

Agree strongly	Agree somewhat	Neutral	Disagree somewhat	Disagree strongly	Don't know, NA
----------------	----------------	---------	-------------------	-------------------	----------------

c. PPPs and tolling. Why or why not?

Agree strongly	Agree somewhat	Neutral	Disagree somewhat	Disagree strongly	Don't know, NA
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d. Different financing models. Why or why not?

Agree strongly	Agree somewhat	Neutral	Disagree somewhat	Disagree strongly	Don't know, NA
----------------	----------------	---------	-------------------	-------------------	----------------

2. Of the issues discussed in Panel Five, I am supportive of the proposed changes for:

a. Urban transit. Why or why not?

Agree strongly	Agree somewhat	Neutral	Disagree somewhat	Disagree strongly	Don't know, NA
----------------	----------------	---------	-------------------	-------------------	----------------

b. Ports. Why or why not?

Agree strongly	Agree somewhat	Neutral	Disagree somewhat	Disagree strongly	Don't know, NA
----------------	----------------	---------	-------------------	-------------------	----------------

c. Airports. Why or why not?

Agree strongly	Agree somewhat	Neutral	Disagree somewhat	Disagree strongly	Don't know, NA
----------------	----------------	---------	-------------------	-------------------	----------------

d. Rail. Why or why not?

Agree strongly	Agree somewhat	Neutral	Disagree somewhat	Disagree strongly	Don't know, NA
----------------	----------------	---------	-------------------	-------------------	----------------

SURVEY FOUR

Please categorize yourself (check all appropriate):

- | | | | |
|---------------------------------|----------------------------------|--|--|
| <input type="checkbox"/> Air | <input type="checkbox"/> Carrier | <input type="checkbox"/> Service Provider | <input type="checkbox"/> Federal Government |
| <input type="checkbox"/> Marine | <input type="checkbox"/> Shipper | <input type="checkbox"/> Traveler/Passenger | <input type="checkbox"/> Provincial Government |
| <input type="checkbox"/> Rail | <input type="checkbox"/> Labour | <input type="checkbox"/> Consultant/Academic | <input type="checkbox"/> Local/Regional Government |
| <input type="checkbox"/> Road | | <input type="checkbox"/> Other: _____ | |

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----------------	----------------	---------	-------------------	-------------------	----------------

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A national transportation development plan, an implementation fund and an agency	Evaluating demand management options as an alternative to capacity investment
More competitive fiscal & tax treatment	Identifying transportation technologies to improve the environment
Reducing congestion costs	Improved North American competitive environment for transportation
Estimating capacity constraints	A new regulatory & institutional framework

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Western Economic
Diversification Canada

Diversification de l'économie
de l'Ouest Canada

Canada



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