January 16, 2015

Canada Transportation Act Review Secretariat
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Submission to the Canada Transportation Act Review Panel

Dear Sirs,

The Canadian International Freight Forwarders Association (CIFFA) and its member companies offer the following for consideration by the Canada Transportation Act Review Panel.

Objectives of this submission:

- To allow CIFFA the opportunity to present current issues and 20 to 30 year emerging trends.
- To share the views of the freight forwarding industry regarding our long term national priorities and to identify important steps that need to be taken in the next five years to allow Canada to be competitive in the global environment of the future.
- To share CIFFA’s views on various issues raised in the context of the terms reference as well as those addressed in the Discussion Paper.

Context: The Canadian International Freight Forwarders Association (CIFFA) represents some 250 regular member firms from the largest of global multi-national freight forwarding firms to small and medium sized Canadian companies. CIFFA member companies employ tens of thousands of highly skilled international trade and transportation specialists. As a vital component of Canada’s global supply chain, freight forwarders facilitate the movement of goods, helping Canadians do business with the world. International freight forwarders are the foremost experts in cargo transportation solutions and essential partners in advancing the Canadian economy and the economic prosperity of Canadians.

On behalf of Canadian freight forwarders, CIFFA plays an important role in improving the movement of cargo where issues relating to capacity and capabilities are front and center. Port congestion and delays to the movement of containers add untold millions of dollars to the cost of Canada’s international trade, impacting the cost of imported consumer goods and the cost of our exports in the world market. Easy access to airport cargo facilities and availability of lift are critical
to the development of high-value industry sectors that rely on air cargo. Increasingly complex regulatory requirements, such as the Canada Border Services Agency’s (CBSA) new eManifest program and container examination policies, Transport Canada’s Air Cargo Security Program and the Canada Food Inspection Agency’s wood packaging regulations, demand ever increasing vigilance and continuous attention to improving applied policies and processes to ensure the efficient flow of cargo. Part of the association’s core mandate is to work to reduce such barriers to trade and to deliver industry perspective to regulators, airports, ports, railroads and carriers.

Our members enhance export capabilities and assist importers – retail, commercial, and industrial in the delivery of competitive solutions. The efficient and effective operation of an intermodal transportation system is critical to sustaining and growing the position of Canada’s international traders in a highly competitive global marketplace.

Freight forwarders play a vital role in expediting the movement of an estimated 70% of Canada’s containerized cargo. Some 2.94 million TEUs, the equivalent of approximately 1.5 million forty-foot ocean containers are managed by international freight forwarding firms. Recent data indicates that +90% of the world’s air cargo is arranged through an international freight forwarder. Freight forwarders manage thousands of truck and rail shipments annually within North America. These multi-modal services provide the freight forwarding sector with a unique perspective of the entire cargo transportation system and of its performance.

Freight forwarders: helping Canadians do business with the world.

**Current Issues and Emerging Trends**

Member companies coast to coast have identified a wide ranging number of issues and emerging trends. Recommendations and suggested solutions to improve Canada’s transportation capabilities however, focus on three long term strategies:

- The need for a national Canadian intermodal transportation strategy which encompasses improved accountability and performance (across ports, and terminals, railroads), an integrated information system or ‘dashboard’ for data, and improved intermodal infrastructure,
- The creation of a human capital investment strategy and
- The strategic positioning of Canada as a “Cargo Transit Hub”.

To support these three strategic imperatives, over the next 5 to 10 years the Government of Canada must:

- Continue with regulatory reform and red-tape reduction and
- Build a stronger ‘Beyond the Borders’ program.
Development of a National Canadian Intermodal Transportation Strategy

Canada’s existing intermodal transportation networks have built-in inefficiencies and lack capacity to handle today’s spikes in activity, let alone tomorrow’s growth.

Canada needs a long-term, integrated strategy that supports a modern, efficient and competitive system for intermodal cargo that meets the needs of today’s traders and tomorrow's Canadians. According to CIFFA members, Canada’s intermodal marine freight system is a system in name only. The whole system, encompassing drayage, terminal, rail, port, steamship line, lacks oversight and connectivity and fails to operate as a system. To support Canada’s global trade goods must move efficiently from or to central Canada via intermodal cargo which relies on robust physical infrastructure, improved accountability and performance and a finely-tuned regulatory environment to manage the flow of cargo.

Although there have been noted improvements since the Canadian Rail Freight Service Review in 2010, still today components operate as silos, uncoordinated and disconnected from the larger whole. This leads to fragmented, inconsistent and unreliable service outcomes for Canadian importers and exporters. The most significant observations by our members relate to intermodal service erosion over the past several years. Inconsistent and unreliable service particularly at Canada’s west coast ports, and most especially at Port Metro Vancouver (PMV) over the past several years means delays of two to three weeks from a ‘normal’ transit time are not unusual.

Goods are not consumed at the port cities where they arrive and must be transported efficiently to Canada's consumers, where-ever they live. Canada's exporters must have a reliable, cost effective intermodal system to support their sales and expansion in global markets. Canada’s free trade agreements will bring prosperity and growth only insofar as Canada’s transportation systems are developed to facilitate the efficient movement of goods in and out of the country. Change in focus of transportation related policy is needed from today’s emphasis on resource-based export to support for manufactured exports (whether processed grains or refined metals or equipment or luxury goods) to support an ever growing China demand or a European /Canadian Free Trade Agreement (CETA). For example, Manitoba export growth in manufactured exports will soon supersede its growth in agricultural exports\(^1\) and Canada must have transportation regulations and policies in place to support such growth.

The Canada Transportation Act and the Government of Canada place emphasis on the movement of agricultural products and grain by rail. While agriculture and grain are critical to Canada’s trade, intermodal inbound and outbound movements of manufactured goods are also critical to Canada’s long-term economic wellbeing. Canada has an imbalance in the movement of manufactured goods imported and resource materials exported which impacts equipment availability. Canada’s ports, terminals and rail carriers (and labour) will have to develop new strategies in order to handle these imbalances efficiently.

\(^1\)http://www.edc.ca/EN/About-Us/News-Room/News-Releases/Pages/Manitoba-GEF.aspx [November 18, 2014]
There is a general inability to meet unexpected changes in demand. These unexpected changes can result from carrier schedule changes such as when ocean carriers introduced slow steaming or when cargo was diverted due to the U.S. West Coast ports extreme congestion problems. In turn this creates scheduling issues and inconsistent arrivals at ports, leading to labour issues, gridlock on the dock and insufficient railcars to meet the demand for containers destined eastbound. This lack of flexibility and responsiveness to changing market conditions, such as recurring annual cargo spikes related to Chinese New Year or cargo trends such as the ever larger and larger post-Panamax vessels which call at Canadian ports builds uncertainty and an underlying sense that Canada cannot provide competitive transportation solutions. Conventional business models lack innovation and do not meet today's business demands or future requirements. One example is the trucking situation that re-occurred three times at PMV in 1999, 2005 and 2014. The situation reoccurred three times over a fifteen year span in part because the solutions implemented were a patchwork of band aids that did not address root causes and did not present forward thinking solutions for the long-term.

Unnecessary and unbudgeted costs undermine Canada’s competitiveness and drive ‘total landed costs’ for importers and exporters inexorably upward: wait time charges, extra drayage charges (trucks having to wait and come back), forced storage fees, expedited trucking charges, detention charges and missed vessel closings are all indications of a transportation system that does not operate efficiently.

**Improved Accountability and Performance Standards**

**Notwithstanding these identified critical service failures and additional costs, systematic, national performance is almost impossible to evaluate because there are currently no national key performance measures (KPI’s). There are no comprehensive standards, service expectations, tracking or monitoring across the intermodal network. There is no system in place with which to hold all players to account.**

Because of the lack of an integrated information system across the supply chain, railways, ports, ocean carriers and terminals are often slow to respond to sudden changes in demand. It may take several weeks to adjust staffing levels, get equipment out of storage and in-service and move cargoes off dock. This results in less than reliable services and volatile prices.

It is the opinion of our membership that the parties operate in functional ‘silos’. There is no oversight or national policy that governs performance across all of the functional entities i.e.) between port and terminal, terminal and rail, steamship line and rail. Performance standards are a critical tool to help coherent functioning of the intermodal system. They help establish expectations and put in place a framework for collective performance and cooperation.
Recommendations

1. In attempts to improve accountability, the Government of Canada should review the Canada Marine Act. Governance of ports should be reviewed with an eye to considering what ‘levers’ could be remitted into the authority and responsibilities of the ports. Port authorities should have “skin in the game” and be made more accountable for the performance of their lessees.
2. Canadian port and intermodal network performance should be benchmarked to best in class ports and terminal operations in other countries.
3. Canadians should also investigate the regulatory and policy frameworks at various world class ports in order to gain a better understanding of how world-class ports, terminal operators, railroads and drayage operators are regulated.
4. To build consistency, reliability and accountability into the intermodal system, key performance measures (KPI’s) should be established that are measurable and created through consultation. Suggested areas are: on-time arrivals, transit times, rolling stock availability, terminal/ dock dwell times, storage days, and investment in infrastructure.
5. Canada should introduce a public mediation and complaint system so that for the first time Canadians can have a window on the performance of this intermodal system so vital to our national security and prosperity. This could take the form of an intermodal marine authority or an ombudsman, charged with broad oversight of various segments of the intermodal marine network.
6. Under the leadership of the federal government, stakeholders must work collaboratively to determine long term solutions. A regularly scheduled national symposium that brings together representatives from various stakeholders would facilitate the development of a unified, cohesive vision for Canada’s intermodal transportation system.
7. The Government of Canada should review labour legislation governing railroads and ports and consider declaring the railroads and ports (and their terminal operator lessees) as essential services given their importance to our sovereignty and national economy.

Information Infrastructure or Intermodal Dashboard

*Tracking and expediting marine containers efficiently through today’s intermodal network is inconsistent, fragmented and unreliable.*

There are significant communications gaps between various parts of the intermodal network. Each organization within the industry has its own information system – trucks, railroads, ocean carriers, ports, terminals, freight forwarders: currently there is very little integration of data. In fact, various federal agencies fail to share data across their functional silos, so, for example, Transport Canada cannot use data already available to the Canada Border Services Agency. This creates duplication, inefficiencies, errors, delays in decision-making and in the movement of cargo and ultimately drives additional costs for all parties.
Recommendations

8. Efficiencies could be achieved from Canada’s existing intermodal transportation networks if Canada had a federally supported information sharing strategy. Canada needs improved technology infrastructure. Using best practices from around the world (i.e. Port of Rotterdam) the Government of Canada should build an information infrastructure – an intermodal dashboard - that provides all stakeholders access to real time data. The system could also function as a monitoring system that accumulates aggregate performance data critical to the measurement of efficiency of the intermodal supply chain.
   i. Allows data sharing across all stakeholders.
   ii. Relies on advanced technologies like GPS (such as presently partially funded at PMV) and RFID scanning.

9. The Government of Canada should review privacy and other legislation that hinders the sharing of data across government agencies, in the spirit of receive data once, use it multiple times.

10. The Government of Canada should take a leadership role in global sharing of certain data, supporting the standardization of data gathering and required elements such as the WCO Safe Framework of Standards.

Investment in Intermodal Infrastructure

The Government of Canada's commitment to the Asia Pacific Gateway and Corridor is an admirable start, but the grain-growing Prairies and Ontario/Quebec manufacturing heart of the country are starved for intermodal infrastructure investment.

Compared to the billions of dollars being spent in the U.S., China and Europe, Canada is falling behind and is becoming less competitive internationally when it comes to investment in physical infrastructure. Where the development of national intermodal infrastructure is in the national interest, investment must be encouraged. Railways do not have enough equipment to service spikes in demand. Recognizing the difficulties of obtaining accurate forecast data and the complexities of shared equipment pools, nonetheless the rail lines are often unable to deliver rolling stock and other equipment to where it is needed in a timely manner.

Members cite a number of proofs of the unwillingness to invest in intermodal infrastructure in Canada including aging, unreliable equipment at terminals and loading areas (cranes, locomotives, rolling stock wheels). We must continue to build the bridges and overpasses and roads that the public sector traditionally supports and we must find the mechanisms to support private sector investment in the equipment, terminals and railroads needed to move intermodal cargo.
Recommendations

11. CIFFA recommends that given intermodal transportation’s vital importance to the economic health and future prosperity of Canada, the Canadian government should introduce capital allowance and other tax incentives for critical private sector industries such as terminal operations and railroads to ensure that appropriate capital investments are being made within Canada and designed to benefit Canadians.

12. A robust physical intermodal marine infrastructure must include coordinated investment in inland terminals, roads, bridges and Great Lakes ports as well as at gateway ports. The Government of Canada must align its investment strategies with various provincial and municipal regulators to build a strong transportation infrastructure across the country.

2. Creation of a Human Capital Investment Strategy

Strategic factors such as demographics, labour markets and productivity are converging to elevate the importance of talent in what some are calling the ‘talent decade’.  

Gaps exist today in the availability of skilled staff at the right place. Capable, competent people and a human capital investment strategy are needed to create a sustainable competitive advantage in Canada. For example, productivity at Canada’s ports lags productivity at many ‘best in class’ ports around the world and must be considered a contributing factor to Canada’s relatively poor performance in the intermodal marine movement of goods. Research across North America indicates that a driver shortage is the single greatest threat to future capacity – and consequential increased costs, in trucking. Mariners on the Great Lakes, mechanics and engineers at terminals and railroads, global supply chain specialists are all in increasingly short supply.

Education to support the needs for our future leaders in supply chain and transportation industry is critical. To attract young, bright minds to the transportation sector, Canada must continue to elevate the profile of logistics and transportation as contributing to the economic growth and development of Canada. (One in five jobs is related to export).

Recommendations

1. The Government of Canada must invest in human capacity building specifically in the transportation sector. The Canada Job Grant is one example of this type of investment.

2. Productivity, especially at Canada’s gateway ports must be improved. Benchmarking exercises and research must be undertaken to ascertain why Canadian productivity is what it is and why other ports have higher productivity.3

3. Immigration policies need to ensure we have skilled labour to support requirements where they are most needed (for truck drivers, port / airport / terminal labour, warehouse staff.)

4. Cross provincial labour restrictions must be reviewed and the federal government must take a leadership role with their provincial counterparts in the development of national competency, training and even certification standards for identified critical positions.

5. The federal government should continue to support such work as that conducted by the Canadian Supply Chain Sector Council (CSCSC) in its development of occupational standards for certain roles and its national accreditation program for supply chain training.4

6. Development of vocational training to support the sector. For example,

   a. CIFFA has invested thousands of dollars in completing a national competency assessment project which has identified nine key competencies. Currently the association is validating its certificate programs in international freight forwarding against these competencies to ensure that the association and the colleges that deliver its certification training meet the needs of the industry today and in the future.

   b. Truck driving should be positioned as a ‘trade’ with corresponding training, certification etc. Although professional truck licensing is a provincial responsibility, the Government of Canada must work with the provinces to find a solution.


3. Strategic Positioning of Canada as a “Cargo Transit Hub”

International trade in goods is critical to Canada’s continued prosperity. If Canadians are to benefit from continued economic growth we must attract the transit cargo volumes to our airports and ports that will bring improved cargo capacity, flexibility, choice of carrier and lowest transportation costs.

World trade patterns are changing and are predicted to change significantly over the next 20 to 30 years.5 It is expected that intra-Asian/ China; Africa / S. America; Asia trade will increase. The
USA will continue to be a huge trading partner with many regions, especially China, and is aggressively following that agenda with such policy changes as tariff reductions and bi-lateral agreements. It is also expected that Canada’s growth will be slow and steady and that our domestic market will remain relatively small.

In order to support growth that surpasses our domestic development and builds capacity beyond our own needs, Canada must build a reputation as offering the most efficient cargo transit hubs in the world. Canada must be able to attract carriers to use Canadian airports and ports – to transit Canada -- as they carry cargo on their way to and from other trading nation pairs. As the CETA brings closer ties between Canada and the European Union, we must build the capacity to handle not only our own goods, but goods moving between the EU and the USA. International traders in China, the USA, South and Central America especially, must perceive Canada as a routing of choice by building a reputation for responsible, reliable, efficient handling of goods by air and ocean.

Every aircraft that stops at a Canadian airport with passengers and cargo enroute to or from other nations creates jobs in the surrounding communities. As evidenced by the recent Global Hub Economic Impact Study prepared for the Greater Toronto Airport Authority, “Again, with just a 10% rise in connecting passengers, the economic value facilitated by Toronto Pearson through direct connections would increase to $40 billion of Ontario's GDP, and 264,000 jobs, $41 billion in trade, and $71 billion in foreign direct investment.”6 A glance at the economic benefit that has resulted from the creation of the port at Prince Rupert, built in partnership with CN and Maher Terminals principally as a transit port bringing cargo from Asia to the mid-Western United States, is another example of the value created from strategic positioning of Canada as a cargo transit hub.7

To attract and keep transit cargo Canada’s airports and ports must have the most competitive cost of doing business, the most stable adequate and competent human resources, and the most efficient security regimes of any airport or port in North America.

Recommendations

1. Continued support of investment in port and airport physical infrastructure by the federal government, both directly and through private/public partnerships such as the Asia Pacific Gateway and Corridor Initiative.
2. Leadership by the federal government in further investment in port and airport access roads, bridges, short sea shipping with full support of and in collaboration with municipalities and provinces.
3. Review the cost and funding models at Canadian airports with the intention of reducing costs assessed to airlines and thus to passengers and cargo. Reconsider the off-loading of

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7http://www.rupertport.com/trade/vision [December 31, 2014]
NavCan fees to airlines. Work with the provinces to reduce costs to airlines, such as Ontario’s tax on jet fuel.

4. Continue with policies such as the Blue Skies policy, designed to attract international airlines. Review policies that might be amended to attract additional flights to Canadian airports, such as increased night flights.\(^8\)

5. Develop and implement a low cost Air Cargo Security program which meets mutual recognition requirements of all trading partners for passenger and cargo aircraft. Invest in leading-edge time and cost effective passenger and cargo screening technologies and develop the regulatory regime to support them. Support all airlines in obtaining clearance to operate from all Canadian airports to the EU and ensuring that Canada is on and stays on the confidential ‘Green List’\(^9\) under EU security initiatives such as ACC3.

6. Review Canada’s cabotage rules with particular consideration of maritime container movement. Research other countries’ cabotage to identify best practices in the elimination of cabotage rules and the development of competitive international transportation.

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**Short-Term Actions Required to Support Long-Term Priorities**

The next ten years will fly by as quickly as the past decade. If we hope to build Canada’s future transportation capabilities we must focus today on reducing barriers to trade, both interprovincial and international.

**Regulatory Reform and Red-Tape Reduction**

Canada must strike a balance between the need for regulation and the need for efficiency. Complex, outdated, overlapping statutory and regulatory regimes impact Canada’s international trade and the movement of goods. The Government of Canada should focus on the elimination of regulatory barriers to trade and facilitation of the movement of goods with the least regulation required to achieve safety, security and other public imperatives. The regulatory framework should be modernized to reflect commercial importance of multimodal transport, reducing overlap and conflict between the patchwork of regimes that currently governs at various stages in a movement.

Faster, more efficient regulatory reform with a better private sector consultation process at the federal level would be an enabler of future development. The regulatory reform process should be more transparent, standardized across all federal agencies and scheduled in a manner that does not increase the consultation burden on industry. Some examples of inefficient regulatory reform commenced over the past decade include:


\(^9\) [http://ec.europa.eu/transport/modes/air/security/cargo-mail/air-carriers_en.htm](http://ec.europa.eu/transport/modes/air/security/cargo-mail/air-carriers_en.htm) [December 31, 2014]
- **Canada Border Services Agency (CBSA):** Since the 2004 introduction of Advanced Commercial Information (Marine) requirements, the CBSA has attempted to implement paperless security, admissibility and release projects for inbound commercial transactions. ACI Phase III, known as eManifest has created cost and administrative burden for ocean carriers (registration of carriers vs. agents), airlines, freight forwarders, customs brokers and importers. Some seven years after the initial eManifest consultations we remain mired in an unwieldy, complex morass that is years from final implementation.

- **Canada Border Services Agency (CBSA):** The CBSA’s container examination procedures are costly, inefficient and administratively burdensome, especially for Canada’s small and medium sized importers and exporters who bear the cost. The placement of examination equipment off-dock at Vancouver’s Deltaport terminal is just one example of decision-making that will almost certainly negatively impact Canada’s intermodal capabilities in the future. Container examination is one example of regulatory reform that, if addressed strategically across government agencies, could bring immediate relief to Canadian importers and exporters. Such revision would involve revision to the Customs Act and there seems to be no appetite at the Government of Canada for this work. “It is Canada’s small, medium sized and new importers, those who are subject to more frequent examinations, who directly bear the atrocious cost of exams. The cargo pays. The cost of Canada’s security is being paid by those few importers unlucky enough to be targeted for exam rather than by all Canadians who benefit from increased security.”

If global trade and container growth over the next 10 to 20 years is as strong as anticipated, and Canada does not introduce a more just, efficient and scalable examinations regime, Canadian traders will continue to be disadvantaged.

- **Transport Canada:** Delays in introduction of supporting legislation and mutual recognition of Canada’s Air Cargo Security Program has created uncertainty, driven costs upward and reduced Canada’s ability to compete cost effectively in air cargo. Industry consultations have been ongoing since 2006 and at time of writing enabling legislation has not yet been registered in Canada Gazette II.

**Recommendations**

1. Introduce regulatory reform procedures which will facilitate the reform process and reduce the time required to enact effective reform.
2. Review the administrative burden around such programs as the “Red Tape Reduction Action Plan”. Much of the value achieved from such a good idea is wasted in the administrative efforts undertaken to introduce and justify the reduction.
3. Focus reform efforts on simplifying and harmonizing regulations across the various modes of transport.

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4. Work with the provincial governments to eliminate inter-provincial barriers to trade and the movement of goods, including where possible unification of the various provincial transport regulatory regimes.

**Beyond the Borders**

*Further progress is needed to secure the perimeter further to allow free movement of goods between Canada and the USA. Concurrent with this is the need for a cohesive strategy for goods moving into North America from outside the USA / Canada region. As neither the Hamburg Rules nor the Rotterdam Rules have been adopted domestically or by our major trading partners, Canada should take incremental steps to update the Canada Marine Act and related regulations consistent with international norms.*

If Canada hopes to become a ‘transit country of choice’ we must be secure in our perimeters. Once allowed access into Canada or into the United States – allowed through the perimeter as it were, passengers and cargo must be allowed facilitated movement between the two countries. Safety and security regulations must be harmonized and recognized between the two countries.

**Recommendations**

1. Develop bi-lateral agreements and mutual recognition to deliver improved benefit for Trusted Trader Programs – basically, let’s trust a Trusted Trader.
2. Increase mutual recognition between our Canadian and American Customs organizations, data sharing, cargo security etc. to allow seamless transit of cargoes between Canada and the United States. Invest in the expansion of the Beyond the Borders inspection projects.
3. Develop shared risk assessment tools, data and methodologies with the United States.
   a. Executing cross-border transactions consume billions of dollars annually around the world and we must become more efficient at it.
   b. Canada should take a leadership role in the razing of barriers at borders around the world, starting at home.
5. Review the *Canada Marine Act* and related laws to incorporate elements of the Hamburg and Rotterdam rules that have been widely adopted by major trading nations, including:
   a. Updating the Bills of Lading Act to accommodate non-negotiable and electronic documents;
   b. Clarifying which parties are subject to the regime, and in particular the status of contractual carriers and of forwarding agents under the regime;
   c. Updating and indexing damage limitations;
   d. Increasing the time bar to two years;
   e. Eliminating the ‘error in navigation’ defense; and
Clarifying the extent of Federal Court jurisdiction under s.46 of the *Marine Liability Act*.

Canada is a trading nation. If we wish to compete as global traders in a competitive marketplace, if we wish to attract foreign investment and trade, if we wish to continue to drive Canada’s economic growth and the well-being of its citizens, the Government of Canada must take action now and over the next decades to ensure a national transportation framework that will allow Canadians to live prosperous and secure lives.

We look forward to seeing the outcomes of the Canada Transportation Act Review, the work of the panel and the thoughts of other Canadians involved in the consultations. And we look forward to seeing the Government of Canada take action to improve Canada’s transportation framework.

Yours truly,
CIFFA

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