



**Written Submission for the Pre-Budget Consultations in Advance of the 2019  
Budget**

**Economic Growth: Ensuring Canada's Competitiveness**

**By: Oceanex Inc.**

**Recommendation**

**The Government of Canada take steps to ensure rate setting at its Crown Corporation, Marine Atlantic, adheres to the National Transportation Policy, a legislated policy as per the Canada Transportation Act.**

## Who is Oceanex?

Oceanex Inc. (“Oceanex”) is a key transportation infrastructure provider for the island of Newfoundland, serving over 1,500 commercial customers. Oceanex, including its predecessor companies, has served this market for over 100 years. Oceanex’s mission is to deliver quality transportation services throughout Eastern Canada in a safe and environmentally responsible manner, while promoting reliability and delivering value to our clients.

Oceanex’s key marine service competitor is Marine Atlantic Inc., a federally owned Crown Corporation.

## Details on Recommendation

**Recommendation: The Government of Canada take steps to ensure rate setting at its Crown Corporation, Marine Atlantic, adheres to the National Transportation Policy, a legislated policy as per the Canada Transportation Act.**

As an intermodal freight transportation provider, Oceanex recognizes the critical role that the transportation sector plays in Canada’s economy.

The first principle of Canada’s statutory National Transportation Policy (“NTP”) provides that “competition and market forces...are the prime agents in providing viable and effective transportation services”, whereas strategic public intervention (e.g. subsidized freight transportation rates) are used only “to achieve economic or social outcomes that *cannot* be satisfactorily achieved by competition and market forces *and* do not unduly favour or reduce the inherent advantages of any particular mode of transportation.”

Since the introduction of the NTP in 1967, deregulation of airlines and railway sectors has dramatically changed Canada’s freight transportation landscape. Private sector participants operate in a competitive environment, providing efficient services and playing a vital role in growing the Canadian economy.

Without regard to the statutory provisions of the NTP, since 1999 the federal government has subsidized a Crown Corporation operated ferry service between North Sydney, NS and Port Aux Basques, NL by over \$2 billion. This ferry service operates in a competitive freight transportation market and commercial freight comprises approximately 80% of its annual volume.

A study commissioned by Transport Canada in December 2014 (the “CPCS” report) found that using the very substantial subsidies the Crown Corporation received from the federal government, the ferry service prices its commercial freight services at less than half of its costs, thereby creating a market distortion and entry barrier, and effectively putting downward pressure on the rates charged by its primary competitor and discouraging other marine carriers from entering the market. Furthermore, the data contained in the CPCS report demonstrated that in comparison to other ferry services, the Crown Corporation operated ferry service was charging among the lowest fares per kilometre in Canada.

The Federal Government, by its own acknowledgement, has not considered the NTP in allowing the setting of subsidized freight rates. In not doing so, it has hindered the development of the most viable

and effective transportation services to support the economic development of the island of Newfoundland.

### **Conclusion**

Oceanex is pleased that the Government of Canada is focusing its 2019 budget on “ensuring Canada’s competitiveness.” We have been working extensively on ensuring the continued existence and ongoing viability of a competitive marine freight transportation environment to and from Newfoundland and Labrador. This is something that would benefit all of Canada – not just the Atlantic region. We believe the recommendation we have provided, if pursued, would help ensure competitiveness and would be beneficial to consumers and other stakeholders.