



ASSOCIATION OF CANADIAN PORT AUTHORITIES  
ASSOCIATION DES ADMINISTRATIONS PORTUAIRES CANADIENNES

## **Canada Port Authorities need federal support to protect vital economic supply chains and accelerate post-COVID-19 recovery**

Brief for Standing Committee on Industry, Science and Technology (INDU)'s study  
of the Canadian Response to the COVID-19 Pandemic

Submitted by: The Association of Canadian Port Authorities

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## Introduction

The Association of Canadian Port Authorities (ACPA) is pleased to present the following recommendations to the House of Commons Standing Committee on Industry, Science and Technology (INDU). Canada Port Authorities (CPAs) offer their full support as the federal government looks for ideas to develop economic recovery policies and programs while at the same time continuing to advance Canada's innovation and climate action agendas. Canada's ports stand ready to support these efforts and to work collaboratively with the federal government to move our numerous shared priorities forward.

While we have been able to sustain our operations thus far, critical choices are being made now between short-term management of operations and longer-term infrastructure development. As entities that manage federal port lands and operate solely on the basis of revenues earned, CPAs are compelled to make responsible choices now that will affect their ability to participate in the recovery. CPAs have set aside reserves to leverage against current and future infrastructure projects. However, these funds are now being repurposed to both keep highly-skilled people employed as well as ensure baseline operating capacity in the face of declining revenues and an impending cargo shortfall. This choice means that many ports will not be in a financial position to leverage the National Trade Corridors Fund (NTCF) or other short-term infrastructure programs to stimulate recovery.

Keeping ports and the supply chains moving — which has remarkably been done with little disruption — sends a strong signal that a key piece is in place for recovery. However, CPAs need your support and collaboration to continue our important work and to prepare for the post-pandemic recovery. CPAs are here to offer solutions to the government as we collectively pursue our respective yet mutual short and long-term goals of operational readiness and economic recovery.

## Recommendations

With global trade estimated by the World Trade Organization to plummet by as much as 31 per cent this year, port throughput is headed for a significant erosion as demand drops for commodities and durable goods such as automobiles, machinery and electronics. CPAs are also beginning to experience significant decreases in other sources of revenue as tenants request rent deferrals and revenue from cruise traffic has disappeared — COVID impacts are challenging how Canada's ports keep supply chains intact while looking to the future.

Ports are innovators and important sources of global linkage, knowledge and trade flows. As movers of data as much as they are movers of cargo, Canada's ports are leading the world by applying new technologies such as AI, green technologies and other innovative solutions. For example, the Port of Montreal and Scale AI have set up a project to identify and track essential

goods aboard containers. This work is being followed very closely by other port authorities around the world.

Our CPAs are proud of the contributions they have made to safe, efficient and reliable operations, as well as to their communities. CPAs prioritize sustainability and innovate many practices to reduce emissions and support green infrastructure and operations, which can be a competitive advantage for ports and the country. Right now, ports are playing a vital role for our economy; in the future, innovative CPA infrastructure projects can be a cornerstone to Canada's economic recovery.

In the coming days and weeks, the federal government can take immediate steps to support our port authorities and Canada's supply chain by making CPAs eligible for some of the government's commercial and business COVID relief programs and changing the terms for private borrowing and the NTCF to get capital moving and projects started now. Additionally, as the government moves into planning for recovery, we are pleased to recommend a number of measures that will enable continued operations while protecting the contribution of ports to the economic recovery.

## **Immediate measures to weather the COVID impacts on ports**

### **1. Canada Emergency Wage Subsidy eligibility for ports**

Given the economic importance of our ports and the requirement that ports operate only from earned revenues, it is imperative that Canada Emergency Wage Subsidy (CEWS) criteria be adjusted to ensure CPAs are eligible. This would not be an across-the-board access but would be self-selecting: several ports have suffered considerable revenue losses to a level that qualifies them for the emergency wage subsidy program. Currently, ports have avoided layoffs by accessing their capital expenditures reserves, leaving them without capital for future restart projects. Access to the CEWS for qualifying port authorities would help ensure ports' ability to invest in shovel-ready projects and other mechanisms to fuel a restart.

### **2. Increased borrowing limits for port infrastructure projects**

A critical element of building the infrastructure of the future is the ability of ports to raise funds on their own. Despite significant growth in CPAs' financial capabilities and infrastructure over the years and recognition of the value of trade-enabling infrastructure, CPAs have been operating with the same unrealistically low borrowing limits originally set decades ago. This situation has constricted the development and innovation of Canada's trade infrastructure and delayed private investment. Federal authorities must take steps to overhaul current procedures governing borrowing limits to enable CPAs to fully take advantage of capital partners — including pension funds — willing to invest in port projects. To that end, the government could implement one of the following financial flexibility provisions:

- Revise the current procedure for establishing borrowing limits so that they are determined by commercial financial institutions or use similar criteria; or,
- In lieu of borrowing limits establish minimum credit ratings and/or reasonable debt servicing metrics for each CPA to permit borrowing within normal market ranges.

### **3. Amended funding program leveraging ratio for shovel-ready projects**

The Deputy Prime Minister has called for shovel-ready projects that would help get Canadians working again. Port authorities have numerous such projects ready to go, but these have been deferred to maintain liquidity. As ports use their liquidity to keep staff working and support local businesses with rent relief and similar requests, they are losing their financial position to move these projects forward. Such projects are funded in a 1:1 ratio of project proponent to government funds. ACPA is seeking recognition of this and rebalancing of government levels of support for shovel-ready projects to a 1:3 ratio with the federal government funding projects to 75 per cent.

### **4. Canada Emergency Commercial Rent Assistance (CECRA) eligibility for CPAs**

Many port tenants are asking for rent relief — in some cases amounting to tens of thousands of dollars in total per month. As CPAs do not hold mortgaged property, it appears that CPAs do not currently qualify for the CECRA. However, CPAs have tenants that are seeking rent relief as a bridge to survive the slowdown. We are seeking eligibility of CPAs to the CECRA so they can extend this relief, where appropriate based on the needs and financial situation of individual port authorities, to their respective tenants as requested.

### **5. Gross Revenue Charge rollback**

As a further mechanism at the government's disposal to help CPAs survive the imminent drop in revenues, continue operating and reserve funds for high-priority investment in innovative systems and port infrastructure, ACPA is requesting that the government forego payment of the gross revenue charge (approximately \$22 million a year) for fiscal year 2020. Although these funds are payable in early 2021, confirmation that such a charge would be foregone would allow CPAs to dedicate the funds to shovel-ready projects and participate in the restart of the economy. While not a large amount of government revenues, it is enough to make a significant difference for some ports and their communities.

## **Positioning CPAs in the recovery**

ACPA believes the immediate solutions cited above would be instrumental in helping position ports for longer-term economic recovery. Looking ahead, it is clear that ongoing, far-sighted collaboration on recovery solutions will be needed between government and ports to build the infrastructure and new business models needed to accelerate growth and public confidence. As such, ACPA recommends the following:

## **1. Enhanced optimization and support for infrastructure project funding and reviews**

To position ports to lead Canada's competitiveness through the recovery and beyond, infrastructure will be a key source of stimulus. To ensure that sustainable port projects and infrastructure are built in a timely and appropriate manner for economic recovery, the government must adjust programs and processes for project funding and development, particularly for approved projects, in the following ways:

- Ensuring the NTCF is adequately replenished to fund additional recovery projects;
- Flexibility on construction and expenditure deadlines for approved and ongoing port infrastructure projects that have been delayed due to the national lockdown;
- Extension of the NTCF funding timelines;
- Consideration for cost increases due to project stops and starts;
- Streamlined, accelerated and specific environmental assessment processes to expedite "shovel ready" port projects; and,
- Follow-through on the transitional provisions the government put in place when the Impact Assessment Act was passed, namely that port infrastructure previously approved through CEAA 2012, would not be re-evaluated under Section 82 of the new Impact Assessment Act.

## **2. Access to the Canada Infrastructure Bank**

The Canada Infrastructure Bank (CIB) is another example of your government's commitment to trade and infrastructure development and an even more important mechanism for your government to apply towards recovery. However, while many of our larger CPAs are eligible for funds, smaller CPAs are not. To maximize the impact of this funding, we request that CIB eligibility be extended to all ports and projects, regardless of size. We also ask that the government consider extending loan guarantees to small ports.

Further, the federal government should provide loan guarantees for infrastructure projects of all sizes. Funds received from other programs — such as the Canada Infrastructure Bank and the Quebec Maritime Strategy — should be excluded from the calculation for port borrowing limits.

## **3. Land acquisition and disposal**

Ports' regulatory framework should ensure port authorities are more expressly empowered as part of their core mandate to engage in trade-facilitation activities. This is notwithstanding the primary mode of transportation which may include logistics facilities, inland ports and supply-chain related uses.

## **4. Cruise industry supports**

CPAs serving cruise ships and other tourism-related activities are suffering significant revenue

losses from the complete shut down of these operations. This situation must be given special consideration because of immediate decreases in revenues and for longer-term impacts on the viability of the sector. We must work to restore consumer confidence in the cruise and tourism sector. This will include significant investments in protective gear and additional screening facilities. We encourage the government to implement appropriate funding initiatives and programs to help restore trust in the sustainability, health and safety of cruise passengers and ships.

## **Summary of recommendations**

### **Immediate measures to weather the COVID impacts on ports**

1. Canada Emergency Wage Subsidy eligibility for ports
2. Increased borrowing limits for port infrastructure projects
3. Amended funding program leveraging ratio for shovel-ready projects
4. Canada Emergency Commercial Rent Assistance (CECRA) eligibility for CPAs
5. Gross Revenue Charge rollback

### **Positioning CPAs in the recovery**

1. Enhanced optimization and support for infrastructure project funding and reviews
2. Access to the Canada Infrastructure Bank
3. Land acquisition and disposal
4. Cruise industry supports

## **Conclusion**

As the federal government continues to fight the pandemic and stabilize the economy, our 17 Canada Port Authorities (CPAs) will continue to do their part by managing port infrastructure to keep cargo and people moving. This cross-Canada effort is essential to bolster the national economy and reassure local communities, businesses and other stakeholders that essential supply chains are operating in a safe and efficient manner in this unprecedented situation.

We would welcome the opportunity to share further details of our shovel ready projects and other ideas to create jobs and growth, support innovation and continue to advance Canada's climate change initiatives with committee members.

### **About the Association of Canadian Port Authorities (ACPA)**

The Association of Canadian Port Authorities was founded in 1958 and groups together ports and related marine interests into one national association. ACPA represents all Canadian Port Authorities, various government entities and companies doing business in the marine sector. It is the leading association for the advocacy and advancement of the Canadian Port Industry.

## **Canada Port Authorities: Key drivers of Canada's economy**

Canada's seaports are key to moving goods and people via complex logistical supply chains extending to seaports in more than 160 countries throughout the world. Every year Canada's Port Authorities contribute much to Canada's economy:

- Over 340 million tonnes of cargo
- Over \$200 billion worth of goods
- 213,000 direct and indirect jobs
- \$14 billion in salaries
- \$25 billion added to Canada's GDP
- More than 1.3 million cruise ship passengers
- \$53 billion in economic activity

Ports are commercially viable, self-sufficient business enterprises acting as 'gateways to trade' for the communities and regions they serve. The ultimate goal of the Association is to effectively represent the interests of the Canadian port community in building solid bridges to key officials at all levels of government.

### **For more information:**

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