



ASSOCIATION OF CANADIAN PORT AUTHORITIES
ASSOCIATION DES ADMINISTRATIONS PORTUAIRES CANADIENNES

Leveraging the resilience of ports to rebuild the Canadian economy

Written Submission for Pre-Budget Consultations in Advance of the 2021 Federal Budget

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List of Recommendations

The Association of Canadian Port Authorities urges the government to:

1. Enhance support for infrastructure projects by providing more funding to the National Trade Corridors Fund (NTCF) and amending various program details in order to promote recovery.
2. Increase borrowing limits for port infrastructure projects and empower ports, as part of their core mandate, to engage in trade-facilitation activities which may include logistics facilities, inland ports and supply-chain related uses.
3. Waive the gross revenue charge levied on Canada's ports to allow them to preserve liquidity for investment in economic recovery.

Introduction

The Association of Canadian Port Authorities (ACPA), representing Canada's 17 Port Authorities is pleased to present the following pre-budget submission to the House of Commons Standing Committee on Finance (FINA).

Canada has weathered the COVID-19 crisis with commitment and innovation. Now, Canadians are looking to the future and how we will emerge and prosper. The COVID-19 recovery is a unique and critical opportunity to transition or even catapult Canada into the position of global leader in green, inclusive, digital, and resilient port supply chains. Throughout this time, Canada Port Authorities (CPAs) have been doing their part to continue operations, move cargo, employ people, and support communities in a sustainable, safe and innovative manner, all with remarkably little disruption. **Through their role as generators of wealth, innovation and sustainability, CPAs are well-positioned to help drive Canada's economic recovery.**

The recovery will require trade and global connections to build wealth and CPAs can facilitate this. Ports are powerful generators of wealth for Canada — directly and indirectly — through the tonnage they move, the people they employ and their role connecting Canada to global knowledge and trade flows. An OECD study has shown that for every additional million tonnes of cargo moved at a port, 300 jobs are created in the port's hinterland.¹ With a direct economic impact of \$36 billion, CPAs maintain more than 200,000 direct and indirect jobs and handle more than \$200 billion in goods annually.

The recovery will require innovation and CPAs are innovators. As managers of data as much as they are movers of cargo, Canada's ports are part of a global logistics movement to apply new technologies such as blockchain, artificial intelligence and internet of things to move cargo and people in a greener, safer and more efficient manner. Using digital technologies such as blockchain, ports can identify and track essential goods aboard containers, which has been particularly helpful during the pandemic to track PPE and other essential cargo. In other ports, intermodal traffic is tracked and managed for congestion and emissions reductions. Artificial intelligence can help identify additional efficiencies in existing physical infrastructure by mapping out patterns and determining the best routing within the port operation.

The recovery will require a commitment to safety, environmental protection and sustainability, which CPAs prioritize. CPAs seek sustainability and take many steps to reduce emissions and support safe and green infrastructure and operations, all of which are a source of competitive advantage for ports and the country. Building on the value proposition of marine as the lowest emitting mode of transportation per tonne kilometre, Canada can leverage ports as a key element of the move to lower carbon supply chains.

Perhaps most importantly, the recovery must include Canadian communities and citizens, which CPAs can help with, given their location and integration within local communities. COVID-19 has been hard on all Canadians. Now that the initial surge in infections has been flattened, attention is turning to how communities can safely recover with no one left behind. Our CPAs are proud of the contributions they have made to safe, efficient and reliable operations, as well as to their communities. CPAs employ local

¹ P. 7. *The Competitiveness of Global Port-Cities: Synthesis Report*. Olaf Merk. 2013.
<http://www.oecd.org/cfe/regionaldevelopment/Competitiveness-of-Global-Port-Cities-Synthesis-Report.pdf>

citizens, support local businesses, fund local charities and modify port operations including reduced noise, light and emissions for the benefit of local quality of living. Innovation and development of port infrastructure and operations can provide opportunity for training as well as experience and capacity building in communities. These are just a few examples of how communities are ingrained into inclusive port operations —not just by virtue of geography, but also through actions and relationships.

Canadian ports can help build an inclusive, green and digital system that is **resilient** no matter the challenge it faces. Specific policies, programs and industry leadership are taking shape globally and Canada needs to determine where it will stand. So, as the federal government and this committee consider how our country will recover from COVID-19, ports and supply chains must be prioritized for early and ongoing support to restart and reshape the economy.

Recommendation 1: Enhance support for infrastructure projects by providing more funding to the National Trade Corridors Fund (NTCF) and amending various program details to promote recovery

To position ports to lead Canada’s competitiveness through the recovery and beyond, infrastructure will be a key source of stimulus with immediate and long-term benefits. Port authorities have numerous such projects ready to go, but these have been deferred to maintain liquidity in the face of declining revenues as a result of the effect of the pandemic. 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.

To ensure that sustainable port projects and infrastructure are built in a timely and appropriate manner for economic recovery, the government must ensure the NTCF is adequately replenished. The process for funding and development of recovery projects must also be improved, particularly for approved projects. Other enhancements ports recommend include:

- 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 and various protective measures now required;
- Streamlined, accelerated and specific environmental assessment processes to expedite “shovel ready” port projects;
- 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*; and,
- Rebalancing of government levels of support for port authority shovel-ready projects with the federal government funding projects to 75 per cent.

Recommendation 2: Increase borrowing limits for port infrastructure projects and empower ports, as part of their core mandate, to engage in trade-

facilitation activities which may include logistics facilities, inland ports and supply-chain related uses.

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 of limited access to private capital 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. ACPA is asking the government to implement financial flexibility provisions by revising the current procedure for establishing borrowing limits so that they are determined by commercial financial institutions or using similar criteria. Alternatively, the government could establish minimum credit ratings and/or reasonable debt servicing metrics for each CPA to permit borrowing within normal market ranges.

Canada's ports have evolved over time, to a point where they are no longer simply spaces where ships are loaded and unloaded but are multi-modal supply chain hubs and facilitators. However, despite this evolution, the language of the Canada Marine Act and its regulations limits the ability of CPAs to provision of 'shipping and navigation' services, for the movement of goods and people. This current framework has the effect of restraining the ability of CPAs to create 'inland ports' or other multimodal logistics facilities integrated with the marine functions of the port. Ports' regulatory framework should ensure port authorities are more expressly empowered, as part of their core mandate, to engage in trade-facilitation activities, including the ability to acquire and dispose of lands to facilitate trade, develop logistics facilities and enhance supply chains.

Finally, to fully leverage the wealth-generating capability that port authorities bring to their economies and to their communities, CPAs need governance models that enable innovation in their business models and allow them to go beyond their marine mandate. Ports offer the added value of logistical expertise and cargo processing that comes from moving cargo and data.

Leading global ports have expanded their mandates up the supply chain from cargo handling and property management to business partnerships that provide goods and services, which in turn produce a multiplier effect by creating jobs and opportunity for workers and their families in port communities across the country.

Recommendation 3: Waive the gross revenue charge levied on Canada's ports to allow them to preserve liquidity for investment in economic recovery.

CPAs do not receive public funds and must operate through cost recovery and revenue generation. They must pay to the government a yearly gross revenue charge. 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 re-start of the

economy. While not a large amount to government revenues, it is enough to make a significant difference for some ports and their communities.

Conclusion

2020 has become the year that cast aside old ways of working and thinking; we have all evolved to meet the need for safety, commerce and survival in a new reality and the pandemic has modified how we live, work and play.

Indeed, the International Monetary Fund (IMF) has called for permanent change, stating that “COVID-19 has reminded us that nature still reigns supreme, that environmental degradation must stop, and that investing in resilience is good policy. ... It may take many years to complete, but transformation needs to be nurtured starting now. We cannot just return to the way things were before.”²

Canada’s Port Authorities couldn’t agree more. Global supply chains must now be built to be not just responsive, but resilient as well. Operations need to continue in the face of climate events, cyber attacks or pandemics.

Other countries are looking at ports and supply chains as keys to digital, green and inclusive recovery and competitive advantage. Canada should not only follow, but lead this effort. Ports can be an important part of Canada’s domestic and international profile in the green, innovative, inclusive and digital global future.

Every element of port infrastructure, on port lands, waters and hinterlands, can embody the qualities for global logistics leadership. Canada Port Authorities are resilient and represent a source of strength for recovery while embodying the values of sustainability, efficiency and innovation that we should aspire to. We look forward to discussing our vision for the future and the role we can play in driving Canada’s economic recovery with this Committee.

² IMF. Poul M. Thomson. <https://blogs.imf.org/2020/07/12/toward-a-more-resilient-europe/>