



**Association of  
Canadian Port  
Authorities**

**Association des  
administrations  
portuaires canadiennes**

*The leading voice of Canadian ports  
La voix principale des ports canadiens*

***Submission to the House of Commons Standing Committee on Transport, Infrastructure and Communities regarding the State of Canada's Supply Chain-- April 2022***

The Association of Canadian Port Authorities (ACPA) is pleased to submit the following submission to the members of the Standing Committee on Transport, Infrastructure and Communities for its study of the State of Canada's Supply Chain.

ACPA is the voice of the 17 Canada Port Authorities (CPAs) that were established under the Canada Marine Act of 1998 and comprise our National Ports System (NPS). ACPA is mandated to support the competitiveness, growth, and prosperity of our national and regional economies by promoting Canada's competitiveness and trade objectives by addressing and satisfying user needs at a reasonable cost.

During these past two years of COVID-19, ports have been resilient and have continued to operate with relatively little disruption, apart from the fall 2021 flood impacts on the Port of Vancouver. Nevertheless, given lead times for infrastructure, there is an urgent need to increase, optimize and update port infrastructure. Canada's economic and trade ambitions are clashing with the challenges of climate change impacts on infrastructure, decarbonization, global trade and mounting geopolitical tensions. Trade agreement fulfillment and plans to increase output to meet increasing global population needs, almost seem secondary to these more recent challenges.

The imperative is clear that Canada's ports need to update and enhance resilient and sustainable capacity and technology to meet trade obligations and the energy transition of the future. Ports will need to update infrastructure to meet environmental compliance requirements for land, water, air, and vessels. They will need to build infrastructure that can accommodate climate change impacts such as storm surges, floods, rising water levels and erosion. Ports will need to update infrastructure to serve new fuel sources such as hydrogen. Ports will need to update physical and virtual infrastructure and expand land holdings to optimize supply chains and ensure cybersecurity.

The overall infrastructure investment requirement is divided between rehabilitating existing port infrastructure (33%) and developing and expanding port infrastructure to address the country's growing international and domestic marine-based trade (67%); the value of this investment need, calculated at \$5.8 billion, has increased significantly but gives an indication of the gap that has grown since the study was conducted a decade ago.<sup>3</sup> Indeed, many projects and initiatives are underway by CPAs to address these various gaps, but more needs to be done. By fully addressing these gaps, ports will be better equipped to serve Canada's global trade needs.

While Canada's port infrastructure is adapting and working within current frameworks to overcome these challenges, active engagement by government is required in the form of policy/regulatory change and funding to fill gaps. As much as our ports operate, innovate, and build within their revenue and governance structures, with no public operational funds, they will remain limited by government policy

and funding frameworks. The imperative for this support is clear when one considers the tonnage and value of the goods to our economy, including for example agricultural, energy and mineral commodities.

After all, about 20% of Canadian exports and imports by dollar value and the gross domestic product of marine shipping in Canada is \$3 billion.<sup>b</sup> Globally today, ships carry almost four fifths of the world's merchandise trade by volume and 70 per cent by value marine shipping transports.<sup>c</sup>

Given the importance of ports to all of Canada's export sectors and the current infrastructure, funding and policy needs, the specific actions the federal government can take to ensure the long-term stability and reliance of this supply chain include:

- **Develop a National Supply Chain Strategy.** Governments need to work with CPAs to develop a national supply chain strategy that ensures that supply chains are not vulnerable to labour disruption, capacity constraints, or climate change impacts, including natural disasters. Ports have an essential role to play and modernizing physical and digital port infrastructure will assist in optimizing Canada's supply chain. This would send a signal to Canadians and the world that Canada has the strategy, support, and resilient services that trading nations are seeking for trade in key commodities and traded goods.

This strategy would be based on a comparative assessment of current Canadian physical and virtual supply chain capacity against future needs to identify gaps and innovation goals. Specific elements of such a strategy to address gaps would include:

- Dedicated freight corridors across the country;
  - The use of short-sea shipping;
  - Designation of port workers as essential workers;
  - Data optimization for real time supply chain efficiency;
  - Access to private capital and government funding; and
  - Physical and virtual supply chain capacity building across the country to ensure redundancy, regional economic development and enhanced trading connections on all trade routes.
- **Evolve governance, business models and financial flexibility for ports**  
To evolve, CPAs need governance models that enable innovation in port business models and enable ports to go beyond their marine mandate. Leading global ports have expanded their mandates up the supply chain from cargo handling and property management to business partnerships that yield goods and services. Ports offer the value-add of logistical expertise and cargo processing that comes from moving cargo and data.
  - **Immediately extend financial flexibility for ports to access private capital, much of it Canadian based, and CPA eligibility for funds dedicated to decarbonization, innovation and fuels of the future.** Since the NTCF was established in 2018, CPAs have received \$880 million to date. However, as generous and timely as this support has been, there is a gap in the investments needed for both deferred maintenance of existing infrastructure and the infrastructure needed to keep pace with global change – government cannot do it all, nor should it, especially when private capital is available.

Specifically, financial flexibility would mean:

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

Port authorities have numerous shovel-ready and indeed shovel-worthy 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%.
- **Completed Project Reviews Must be Approved**

Project environmental reviews and approvals must be completed more quickly if the urgent optimization and infrastructure investments needed at Canada's port authorities are to happen in a timely manner. CPAs and project partners have followed impact assessment review processes and are waiting for ministerial approval of important port projects that will meet Canada's supply chain, energy, and port infrastructure needs.
- **Convert the National Trade Corridors Fund into a permanent program that directly supports a national supply chain strategy, including predictable and reliable infrastructure to move cargo, energy, agricultural, and mineral commodities.** The National Trade Corridors Fund (NTCF) has been a key component of recent support to ports and a major indication of government support, with about \$880 million in funding to CPAs since the program was launched. However, the NTCF is scheduled to sunset in 2028 and the capital investment needs at Canada's port authorities are ongoing.
- **Empower 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 includes not just traditional marine and multimodal activities but also logistics facilities, inland ports and other

supply chain-related uses. With an expanded mandate, CPAs will be able to better serve and increase trade and capacity in Canada.

The CPA model has been proven to work well for Canada and the communities and regions they serve, by protecting the environment while also maintaining marine commerce resilience. With action on our recommendations, CPAs could be a model for global success and position Canada, its supply chains and export sectors as global leaders.

All our nation's trade sectors need to know that Canadian port and supply chain infrastructure are keeping pace with our trading partners and competitors around the world and, ideally, ready to surpass our future needs. Increasing exports for small and large Canadian businesses will require new or expanded port infrastructure. Canada's port authorities stand eager to meet the challenges generated by growth in all of Canada's export sector.

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<sup>a</sup> Canada Port Authority Infrastructure Study: Port Infrastructure Needs and Plans. Association of Canadian Port Authorities, June 2011. CPCS Transcom. P. 26.

<sup>b</sup> The Value of Commercial marine Shipping to Canada, from The Expert Panel on the Social and Economic Value of Marine Shipping to Canada pages xiii and xiv

<sup>c</sup> Premti, A. (2016), "Liner shipping: is there a way for more competition", Discussion Paper No. 224, United Nations Conference on Trade and Development, Geneva