

THE CANADA TRANSPORTATION ACT (CTA) REVIEW:

Addressing Forest Sector Needs



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Context

- Statutory Review of *Canada Transportation Act* underway
- Process led by Hon. David Emerson, supported by 5 Advisors and Secretariat
- Review conducted at “arm’s length” from federal government
- Discussion paper issued in fall 2014
- FPAC provided submission to panel in December 2014
- Panel to report to Minister by December 2015. Soliciting input in meantime.

Forest Products Industry Facts

- Industry accounts for 12% of Canada's manufacturing GDP (2013)
- Exports about \$30 billion in manufactured goods to more than 180 countries
- Forest mills are present in rural and remote communities across the country
- Sector is third most important user of rail service in Canada – trucking and marine also used

A Matter of Urgency

- Forest sector moves about 58 million tonnes / yr of product
 - Rail is the cheapest mode but half now moved by truck
 - 45 million tonnes to North America, rest via marine transport to other continents
- Transportation represents about 1/3 of production costs for forest product firms
- Efficiency of Canada's transportation system affects firms' economic performance and capital investment decisions
- Overcrowded transportation system constrains sector's export performance

Rail Challenges for Forest Industry

- Majority of mills are served by a single rail carrier which result in them being “captive” to that carrier
- Majority of companies are experiencing insufficient rail shipping capacity that prevents goods from getting to market
 - Costs the industry in lost production; alternate transportation; storage and overhead; bonding and taxation
- Trucking is often not a viable alternative due to the nature, volumes and distances of the products being shipped

A Lack of Competition

- Government's Rail Freight Service Review (2008-2011) concluded that railways have market power in their commercial relationships with shippers
- Competitive forces in rail sector are limited
- Railways use differential pricing (charging different rates) and transfer costs to those with the least negotiating power
- Forest shippers have little negotiation power when dealing with railways

Forest Industry Position

- Striking the delicate balance between market competition and regulation is critical
- Stronger economic regulation of railways would help forest companies get product to market and prosper
- FPAC CTA recommendations support job creation, economic growth, and long-term prosperity in Canada
- Recognize that the system is constrained and must be “right sized” so supply can meet demand

Share Your Views With

The Honourable David L. Emerson P.C

Chair

Review of the *Canada Transportation Act*

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