Association of Canadian Port Authorities
Association des administrations portuaires canadiennes

2024 Pre-Budget Submission

To the House of Commons Standing Committee on Finance (FINA)
August 2023

RECOMMENDATIONS

To fully support Canada Port Authorities in their mission of safety, security, trade enablement and business continuity, the Association of Canadian Port Authorities urges the government to:

1. **Modernize the sector's financing and operating framework to provide greater financial flexibility for ports to invest into infrastructure and deliver on their missions in the decades ahead**. These fundamental enhancements would fully empower ports to deliver on their core mandates and undertake important sustainable trade and energy transition-facilitating infrastructure projects.

2. **Immediately establish permanent, predictable and appropriately funded programs for port and supply chain infrastructure that will maintain current assets and build new ones.**

3. **Accelerate project approvals to build infrastructure projects in a timely manner.**

4. **AUGMENT CBSA SUPPORT FOR CRUISE SHIP PASSENGER PROCESSING**
   Increase the number of Cruise Ship Operations (CSO) and non-Cruise Ship Operations ports and dedicated CBSA staff for the processing of cruise ships in Canada and fund the digitalization of the CBSA's cruise ship clearance procedures.

INTRODUCTION

The Association of Canadian Port Authorities (ACPA) — the voice of the country's 17 Canada Port Authorities (CPAs)— is pleased to present its recommendations for the 2024 federal budget to the members of the House of Commons Standing Committee on Finance (FINA).

It is a critical and dynamic time for Canada's port authorities. The economic aftershocks created by pandemic-era supply chain bottlenecks continue to ripple across the globe. Major projects at home — such as the Roberts Bank Terminal 2 project in Delta, British Columbia and the expansion of the Contrecoeur Terminal north of Montreal, amongst others — are progressing and will reshape Canada's trade gateways. Governments across the world are under increasing pressure to decarbonize, the timelines to achieve 2050 net-zero goals are shrinking, and the two percent of global green-house gas emissions contributed by maritime shipping are increasingly in the spotlight. With inflation continuing to simmer, investments have been committed across the world to ease stress on supply chains and position various nations to capture future growth; and a key focus of this funding is ports.

With those many pressures, it's vital that Canada acts swiftly and purposefully to keep pace and position our ports so they can meet the country's response to these pressures today and into the future. There are specific steps that will help accomplish this, and ports are pleased to share them. Our recommendations are made against the backdrop of several live federal measures relevant to our sector's future.

Budget 2023, for example, included notable and related pledges, with updates expected for late 2023, on renewed Transport Canada infrastructure funding, the National Supply Chain Strategy, and the establishment of a Transportation Supply Chain Office. There are also two pieces of legislation before the House of Commons — bills C-33 and C-52 — that have implications for our sector's governance, charging of fees, collaboration amongst ports, and creation of inland ports.

While Bill C-33 contains some important and welcome measures, it also has a notable gap: a modern, flexible financial model. The National Supply Chain Task Force reported that Canada needs $110 billion of infrastructure investments in seaports over the next 50 years. Canada *must* modernize its ports to meet its trade obligations and net-zero goals. Achieving that won't be possible under ports' current financing model, and as written, bill C-33 does not include optimal measures to fix the issue and empower ports to respond nimbly to trade, decarbonization, regulatory and energy transition demands.

While these various steps carry great potential, we are mindful that they are in progress, incomplete and do not meet all the requirements needed for ports to deliver on their responsibilities to Canadians. We hope some of these gaps can be addressed through Budget 2024.

We thank all members of the House of Commons Standing Committee on Finance for their attention and interest in our sector, and welcome consideration of the detailed recommendations we have put forward.

RECOMMENDATION 1: FINANCING

Modernize the sector's financing and operating framework to provide greater financial flexibility for ports to invest into infrastructure and deliver on their missions in the decades ahead. These fundamental enhancements would fully empower ports to deliver on their core mandates and undertake important sustainable trade and energy transition-facilitating infrastructure projects.

Infrastructure is core to our sector's ability to deliver on trade and commerce goals, support local jobs, and contribute to the country's economy by serving as the channel for goods between Canada and global markets. There are ultimately two methods for ports to meet their infrastructure needs: through their own efforts, and through support from federal programming. This section focuses on the first method.

It must be noted that certain pertinent measures are currently before Parliament. Bill C-33, the *Strengthening the Port System and Railway Safety in Canada Ac*t, was introduced in the House of Commons on November 17, 2022. It is expected to be reviewed at committee after the House resumes in September 2023. While parts of the legislation are welcome and include elements to modernize Canada's ports, in its current form the bill does not include the most critical, necessary changes needed to position the sector for the future. Specifically, ports need financial flexibility through increased lending limits in their respective Letters Patent or with risk-based formulas developed by the financial services industry. Private investment will continue to be crucial in meeting Canada's future infrastructure needs, and port authorities are looking for greater financial flexibility to leverage private capital to meet the growing demands on their mandates. Currently, the lending limits in the Letters Patents for CPAs are not high enough to fully leverage private capital and address the infrastructure gap and loss of buying power.

The mechanism proposed in Bill C-33 of a review of borrowing plans every three years is not quick enough to fund and deliver the port projects needed now for trade, decarbonization and the energy transition. ACPA strongly recommends that changes be reflected in legislation — either through revisions to C-33, through a new standalone bill, or through the 2024 Budget Implementation Act. The current approach makes Canada's port authorities – these critical federal assets – less nimble than foreign and private competitor ports.

RECOMMENDATION 2: INFRASTRUCTURE FUNDING

Immediately establish permanent, predictable and appropriately funded programs for port and supply chain infrastructure that will maintain current assets and build new ones that contribute to decarbonization and sustainability.

In addition to greater financial flexibility through the structural changes noted above, ACPA recommends that meaningful steps be taken to support ports' access to stable, predictable and effective infrastructure programming. Canada's port authorities look forward to the forthcoming national transportation infrastructure strategy to also indicate that future investments will be guided by a nationally strategic approach to port investments. A need for such a strategy was highlighted by recent indications that the federal government is considering investing in infrastructure at a private container port that would compete with three CPAs that already have or are building sufficient container capacity to support growth.

Having called for funding to address the complexity of building a Green Shipping Corridor, ACPA welcomed the commitment of $165.4 million over seven years, starting in 2023-24, for Transport

Canada to establish a Green Shipping Corridor Program. We are eager to see further details on this in Budget 2024.

The following are infrastructure funding specifics:

- As more cruise and commercial vessels seek to avail themselves of shore power and ports work to reduce emissions for local communities**, funding for the provision of shore power will assist in decarbonization and emissions reductio**n. This stable and permanent funding would cover the costs of installation of shore power infrastructure at ports to allow vessels to operate with electricity while at port and not idle engines. Reviving Transport Canada's Shore Power funding program would help fulfill this need.

- The National Trade Corridors Fund (NTCF) has been a marquee program, successfully identifying and funding key infrastructure investments, with CPAs being clear beneficiaries of the program. To date the program has been focused on supporting trade-enablement. We see a need for a **new fund or a NTCF envelope, dedicated to port decarbonization**. This fund could support the infrastructure needed to receive vessels operating with more sustainable fuels of the future and develop port hydrogen and fuel hubs, consistent with the government's Canadian Hydrogen Strategy.

- ACPA was pleased to hear the government's commitment to dedicate $50 million to strengthen supply chains and tackle bottlenecks via a new call for proposals under the NTCF. However, Budget 2023 did not recapitalize the NTCF program overall. **Enriching the NTCF with additional funds will assist ports in building the sustainable infrastructure they need to meet future demands.**

- The world has changed dramatically since CPAs were first established over 20 years ago. Port authorities have to deal with an increasing assortment and complexity of threats, actors and situations, including cybercrime, unmanned aerial systems, supply chain situations and climate change to name a few. **CPAs need funding to ensure updated and consistent port security infrastructure across Canada's National Port and Supply Chain System.**

- **Ongoing maintenance of critical infrastructure at smaller ports is another challenge**. Limited port revenues can make it difficult to keep up with necessary upgrades. The federal government could play a greater role in this at small ports, in the same way it does at small airports.

RECOMMENDATION 3: ACCELERATED PROJECT APPROVALS
Accelerate project approvals to build infrastructure projects in a timely manner.

Once project financing has been established, the project must be approved. Currently, project approvals take so long that projects are in jeopardy and private capital can walk away or not even come near. Canada is not regarded as an easy jurisdiction to invest and develop in. Accelerating and improving the process to be faster while remaining focused on sustainability should be a priority if Canada wants to remain competitive. Canada's port authorities were pleased to see references to completing projects more quickly in Budget 2023, but details and service targets remain to be elaborated on, and it is important to note that C-69 (Impact Assessment Act) was supposed to do this when it was introduced.

RECOMMENDATION 4: AUGMENT CBSA SUPPORT FOR CRUISE SHIP PASSENGER PROCESSING
Increase the number of Cruise Ship Operations (CSO) and non-Cruise Ship Operations ports and dedicated CBSA staff for the processing of cruise ships in Canada and fund the digitalization of the CBSA's cruise ship clearance procedures.

International cruise ship passengers and crew are fully cleared for entry into Canada by the Canada Border Services Agency (CBSA) at their first port of arrival (FPOA) at either a CBSA-designated Cruise Ship Operations (CSO) or non-Cruise Ship Operations (CSO) site. This allows ships to travel in Canada and for foreign passengers to disembark and engage in local tourism which results in a significant economic impact each year. A significant access barrier exists for our country's cruise ship industry with a limited number of ports authorized as Cruise Ship Operations (CSO) or cost-recovery non-CSO disembarkation sites. The number of non-CSO, cost-recovery ports was greatly reduced due to the COVID suspension and not reinstated by CBSA due to labour and funding constraints. For an industry restarting and regaining its footing after 2 years of government mandated suspension, the loss of and unpredictability in this service, has made planning itineraries and shore excursions very difficult, hence affecting the cruise sector and local economies that depend on this business. For our country's cruise ship industry and local communities dependent on it to prosper, it is crucial for the CBSA to carry out the non-CSO FPOA clearance of ships in a greater number of small communities as they once did. Doing so requires funding for more staff and use of appropriate clearance technologies for these low-risk passengers.

Furthermore, CBSA clearance procedures are time-intensive and often delayed due to the limited availability of CBSA staff. The current paper-based process is lengthy and often results in unnecessary delays and logistical challenges for local tour guides and transportation businesses that service passengers which, in turn, deters international travellers from choosing Canadian destinations.

CONCLUSION
On behalf of Canada's 17 port authorities, thank you for your consideration of our recommendations. It should be noted that while these are the collective recommendations of our members, there has been recent external support for change as well.

We would welcome the opportunity to discuss them further as the committee meets to deliberate its report on Budget 2024, collect additional information, and extract context and guidance from stakeholders like ourselves.

We appreciate your time and attention and stand ready to speak with members of the House of Commons Standing Committee on Finance at your earliest convenience.