Association of Canadian Port Authorities
Association des administrations portuaires canadiennes

Submission to the House of Commons Standing Committee on Finance Pre-Budget Consultations

The Association of Canadian Port Authorities

August 2024

RECOMMENDATIONS

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 2025 federal budget to the members of the House of Commons Standing Committee on Finance (FINA).

Recommendation 1: Modernize CPA financing and operating frameworks to provide greater financial flexibility, specifically:

Recommendation 1A: Increase borrowing limits and address approval times.
Recommendation 1B: Eliminate barriers to business activities CPAs can pursue
Recommendation 1C: Enable capitalization of subsidiaries and joint ventures

Recommendation 2: Renewed funding of the National Trade Corridors Fund (NTCF), or at least more focused funding for the ports that are unable to leverage capital to borrow or capitalize subsidiaries/joint ventures.

Recommendation 3: Adjust criteria for CPA access to Canada Infrastructure Bank Funds.

Recommendation 4: **Assist ports in achieving sustainability, climate resilience and decarbonization goals through port eligibility for existing programs and new funds to support port sustainability and decarbonization.**

Recommendation 5: Ensure Canada Border Services Agency funding is dedicated and increased in a predictable and sufficient manner to support port and supply chain services and trade facilitation.

Recommendation 6: **Dedicated ongoing funding of police of jurisdiction, the Royal Canadian Mounted Police (RCMP) and Canada Border Services Agency (CBSA) to support their delegated responsibilities as it relates to port security, and improved information sharing between these and other actors and CPAs.**

Recommendation 7: Permanently fund the National Supply Chain Office (NSCO) sufficiently to support its important mandate.

RECOMMENDATIONS

Recommendation 1: **Modernize CPA financing and operating frameworks to provide greater financial flexibility.**

Infrastructure is core to our sector's ability to contribute to the country's economy by serving as the channel for goods between Canada and global markets. For ports to invest in supply chains, and address the looming $110 billion port infrastructure gap [1], greater financial flexibility is critical, specifically:

Recommendation 1A: Increase borrowing limits and change limits formula

Ports need financial flexibility through increased lending limits and a quicker process for amendments in and to their respective Letters Patents, or through the addition of risk-based formulas developed with the financial services industry. Currently, the lending limits in the Letters Patents for many CPAs are not high enough to fully leverage private capital, address infrastructure gaps and escalating construction costs. Even minor amendments to borrowing limits can take years to implement as they are determined on a case-by-case basis. 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.

Recommendation 1B: Eliminate barriers to business activities CPAs can pursue

There are various mechanisms the government could employ to provide greater flexibility in the business activities in which ports can engage. Bill C-33, *the Strengthening the Port System and Railway Safety in Canada Act* for example, includes language that would allow CPAs to develop inland ports. As industrial land is quite limited to the core mandate of CPAs at many urban ports, CPAs miss out on business opportunities that could alleviate the need to borrow or secure funding to finance key infrastructure projects.

An expanded definition of port activities would allow ports to support the private investments needed to maintain existing infrastructure, expand the capacity of ports to support global trade, adapt existing infrastructure to the rigors of extreme weather, reduce emissions and protect the environment. ACPA recommends broadening the definition of the Canada Marine Act (CMA) 28(2)(b) to allow CPAs greater flexibility in engaging in business activities designed to finance investments that support core port activities, as defined in CMA 28(2)(a).

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[1] Act. Collaboration. Transformation. Final Report of the National Supply Chain Task Force 2022 (canada.ca), pg. 8

Recommendation 1C: Capitalization of subsidiaries and joint ventures
Shippers are keenly interested in the integrated supply chain that lies behind ports. Port authorities need to be able to invest and partner in supply chain activities that go beyond the current legislation that confines port activities to the movement of goods at the port or on port lands. The current approach makes Canada's port authorities – these critical federal assets – less nimble than foreign and private competitor ports.

CPAs should be allowed to create non-wholly owned subsidiaries for operations on non-port properties and, if required, for non-port activities. This approach provides an innovative financing mechanism. To this end, ACPA recommends the government:

- Remove the calculation in each CPA's Letters Patent that limits investment in subsidiaries to 50% of net income for the CPA and allow investment limits to be determined by the market conditions.
- Allow CPAs to hold an equity stake in a Special Purpose Entity or Joint Venture not involving another CPA, where the main activities are related to port operations or to support port operations.

Recommendation 2: Recapitalize the National Trade Corridors Fund (NTCF) and convert it into a permanent program.
The NTCF has been a critical program with over $1 billion in funding allocated, CPAs have been key beneficiaries of the program. The program has been extended and refined over time to better respond to needs, with calls for strengthening supply chains and tackling bottlenecks, and digitalization. However, while the NTCF will sunset in 2028, the capital investment needs at Canada's port authorities are ongoing. And, while much of the funded has focused on larger projects, some smaller ports have had challenges accessing funding for critical infrastructure upgrades. Some of the NTCF's criteria severely restricted certain asset restoration work unrelated to growth. Maintaining assets that serve the industries behind Canadian imports and exports is no less strategic than working to develop new traffic.

We recommend that the National Trade Corridors Fund (NTCF) be recapitalized and converted into a permanent program that port projects of all sizes are eligible for, includes maintenance and restoration needs on assets not linked to growth, and directly supports the National Supply Chain Strategy. This will assist ports in building the sustainable infrastructure they need to meet the demands of the future and help smaller ports access capital for infrastructure investments they would otherwise find challenging to source. More focused funding for the ports that are unable to leverage capital to borrow or capitalize subsidiaries or joint ventures would enhance the capacity of the supply chain and ports in specific regions.

Recommendation 3: Adjust criteria for CPA access to Canada Infrastructure Bank funds.
As noted, CPAs face significant challenges in accessing funding for critical port infrastructure projects. The Canada Infrastructure Bank (CIB), that could fund this infrastructure with some minor modifications to eligibility and program delivery. ACPA recommends:

- **Exempt the requirement of private and institutional capital involvement to enable the CIB to directly and solely finance port and supply chain projects deemed to be in the public interest.** Removing the private capital investment option would create a direct channel between CIB expertise and funds and ports and supply chain partners on revenue-generating projects.
- **Enable the CIB to provide loans at concessionary rates, below market value, for port and supply chain projects.** By reducing the cost of capital, the CIB could attract larger port projects and private capital, thereby fulfilling its current mandate of leveraging private investment.

Recommendation 4: **Assist ports in achieving sustainability, climate resilience and decarbonization goals through port eligibility for existing programs and new funds to support port sustainability and decarbonization.**
Ports are at the forefront of supply chain sustainability, resilience, climate adaptation, market forces, environmental regulations and decarbonization. Our members are responding to these drivers, but face limitations in being able to do so.

Further government support through dedicated financial backing of port infrastructure to help support bunkering and use of sustainable fuels would be an additional signal. This includes ensuring ports are eligible for current programs aimed at sustainability, energy, green technologies, green infrastructure and supply chain efficiencies, but also creating new funds to support port sustainability and decarbonization. In addition, the implementation of specific programmes to modernize maritime and port infrastructures to cope with the energy transition should be accelerated to meet the immediate demand. The Clean Ports program is a good starting point for the Green Shipping Corridors framework, but it is insufficient to overcome the current demand and challenges. Reviving the oversubscribed shore power program and extending port electrification programs would also help ports help Canada decarbonize and trade sustainably.

Recommendation 5: Ensure Canada Border Services Agency funding is dedicated and increased in a predictable and sufficient manner to port and supply chain services and trade facilitation.
ACPA is pleased that CBSA established this year a dedicated marine office to address programs and services to support the marine mode. ACPA works successfully with CBSA on several initiatives to enhance trade and security and passenger movements. However, there is growing recognition of CBSA's resource challenges in supporting current service commitments, never mind the future levels of service and technology solutions that will be needed to keep pace with trade and global best practices. The lack of marine-dedicated resourcing impacts the cost of goods, thereby negatively affecting the competitiveness of Canadian trade. CBSA funding needs to be dedicated and increased to provide flexibility and resilience to match the needs of port authorities, including:

- **Sufficiently fund CBSA to meet increasing demands on port cargo and inspection and movement.** This includes increased funding to CBSA, and within that envelope, increased and dedicated funding to appropriate and optimum service delivery for ports, marine carriers, intermodal partners and container movements; application of technology; improvement of processes; and, clarified service delivery standards.
- **Increase staffing of key front line and strategic staff, including those responsible for container inspections.** Restricted internal staff allocations have affected the ability of ports to meet trade obligations and for ports and regional economies to grow, particularly short-sea shipping of containers on the Great Lakes. As in many other sectors, notably healthcare, governments have introduced fast-track training programs. Thus, the time required to train customs officers should be optimized and implemented under certain operational conditions.

Recommendation 6: **Dedicated ongoing funding of police of jurisdiction, the Royal Canadian Mounted Police (RCMP) and Canada Border Services Agency (CBSA) to support their delegated responsibilities as it relates to port security, and improved information sharing between these and other actors and CPAs.**
Auto theft has become a major issue and threat in Canada, to the extent the federal government held a National Summit on Combatting Auto Theft in February 2024, which ACPA participated in. ACPA welcomed the government's National Auto Theft Action Plan in May 2024, and has worked to establish the National Port Security Committee with federal and enforcement partners to address port security issues, including auto theft. The auto theft issue has highlighted system vulnerabilities to criminal and other threats, and gaps that ACPA highlighted in its 2015 *White Paper on Port Security* and through many other representations.

These gaps include inadequate funding of CBSA services and police of jurisdiction to provide enforcement on criminal matters, and barriers to sharing of critical, real-time information related to security and criminal activities at CPAs. The solution to addressing port and supply chain security rests in dedicated ongoing funding for CBSA, RCMP, police of jurisdiction on criminal matters at CPAs, and improved information-sharing between law enforcement agencies, governments, CPAs, and other relevant actors.

Recommendation 7: Permanently fund the National Supply Chain Office (NSCO).
The government's establishment of a National Supply Chain Office and the imminent supply chain strategy recognizes and supports the role of supply chains within Canada's trade-driven economy. ACPA was pleased to see the government dedicate $27.2 M towards the establishment of the NSCO. ACPA recommends that the NSCO must be fully funded as a trade enabler to provide long term solutions for Canada and strong international signals that Canada is equipped to understand and support trade flows.

CONCLUSION
On behalf of Canada's 17 port authorities, thank you for your consideration of our recommendations. We would welcome the opportunity to discuss them further.