Association of Canadian Port Authorities | Association des administrations portuaires canadiennes

Responding to Canada's Port Infrastructure Needs

Canada's ports and the economy

- International trade, which accounts for over half of Canada's GDP since 1992, depends on efficient port infrastructure.
- In 2023, 80% of global goods—worth $20 trillion, or seven times Canada's GDP—were shipped by water.
- Canadian exports of agriculture, seafood, and processed foods total $100 billion, which is heavily reliant on efficient ports.
- To diversity and expand Canadian export of critical minerals and energy resources requires efficient marine transport.
- Waterways can also ease road and rail congestion, as one Seaway-sized vessel replaces 301 rail cars or 964 trucks.
- The cruise industry, growing at 8% annually, contributes billions and creates thousands of jobs.

While private partners will fund most marine infrastructure in the coming decades, Canada Port Authorities (CPAs) have critical investment responsibilities. To unlock the potential of trade diversification and growth, CPAs must facilitate site access, land preparation, and utilities. These measures align with port investor expectations globally, but CPAs lack the financial flexibility of other international ports.

For instance, a CPA involved in a $1 billion project may need to invest hundreds of millions of their own funds, to facilitate site access, land preparation, and utilities to enable these opportunities. Fixed borrowing limits can delay project timelines. Creative deals with private partners can shift risk but may limit CPAs' capacity to reinvest in infrastructure — hindering productivity and global competitiveness.

Private capital often moves quickly, and Canadian ports face competition from U.S. ports, which are advancing rapidly in sustainability, supply chain resilience, and trade optimization. Without greater financial flexibility and agility, Canadian ports risk falling behind.

Infrastructure Funding Needs

A study by ACPA revealed that CPAs need $10 billion in investments over the next 16 years, with $5 billion required in the next four years alone. Long-term needs are uncertain due to a limited ability to plan beyond five years, but total requirements through 2040 are estimated at $15–$21.5 billion, highlighting an urgent call for modernizing infrastructure to meet trade diversification goals and ensure economic and national security.

With 61% of capital unsecured, CPAs must work with government to address a major funding gap.

Unleashing Financial Capacity

The Canada Marine Act (CMA) governs CPAs but imposes additional borrowing restrictions through letters patent. These limits, set via lengthy manual reviews by Transport Canada and Finance, use a conservative debt coverage ratio to mitigate rare risks. Linking borrowing capacity to revenue growth could expand financial flexibility, boost efficiency, and reduce administrative burden.

Investments are focused on:

- Improving efficiency (82%)
- Supporting trade growth (79%)
- Revitalizing aging infrastructure (48%)
- Decarbonizing operations (39%)
- Adapting to climate change (30%)
- Digitizing supply chains (19%)

With CPAs' growing investment needs, adopting a more balanced risk tolerance could enhance productivity and support trade diversification while ensuring economic security.

Recommendations

Modernize borrowing to adjust financial capacity automatically based on three years of performance, requiring manual review only for significant projects exceeding normal limits.

Reevaluate the strict debt coverage ratio to reflect changing roles and economic demands.

Grant CPAs access to federal loan guarantees and allow private guarantors to ensure investment in projects that safeguard national interests and resiliency.

Improving Project Timelines

Regulatory delays deter investment in Canada and hinder our global competitiveness. Accelerating environmental assessments and permitting is essential to secure private investment and create jobs more quickly.

Recommendation

Streamline the environmental assessment process to enhance regulatory transparency, accountability, and project certainty for investors.

Greater Business Flexibility

Port Activities and Partnerships

Some ports could benefit from greater flexibility to engage in business activities beyond those strictly defined under the Canada Marine Act (CMA). While many ports are severely short of space for their core marine activities, allowing some CPAs to pursue creative projects, like multi-use developments combining cruise terminals with hotels or offices, could fund marine infrastructure without requiring federal support.

Shippers value the integrated supply chain beyond ports, but current laws limit port authorities to port lands and limit the ability of CPAs to work with private partners through subsidiaries and joint ventures designed to creatively fund infrastructure projects.

Bill C-33 proposed reforms in these areas, but while those reforms still must be made, additional changes would be needed to fully unlock creative funding options. Examples of such reforms include providing CPAs the ability to sell shares of subsidiaries to private investors to fund major infrastructure projects.

Recommendations

Broaden CMA definitions to allow CPAs to invest in creative projects that directly or indirectly support marine functions.

Provide flexibility to capitalize subsidiaries without earning caps, aligning investment limits with the market.

Allow CPAs to hold equity stakes in Special Purpose Entities or Joint Ventures with private partners for port-related activities, sharing risks and rewards.

Federal Support for Economic and National Security

Canada's port infrastructure needs significant investment to support trade demand, diversification, and resiliency, exceeding what CPAs and the private sector can fund alone. Federal participation is essential due to the public benefits these investments provide.

Federal support is crucial for projects that drive economic security and public benefit. While CPAs are largely self-sufficient, smaller ports face operational challenges, and larger ports may need assistance for projects critical to regional development or trade growth. The exclusion of vital equipment like cranes from funding programs highlights the need for broader support to enhance productivity and global competitiveness.

Recommendations

Recapitalize the NTCF or establish a new program dedicated to trade infrastructure funding.

Create a dedicated funding stream, through the NTCF or another program that ports with ageing critical infrastructure can access to support major maintenance.

Include capital-intensive equipment, like cranes, in federal funding programs to improve productivity and global competitiveness.