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PORTS AND AIRPORTS, TRAFFIC AND COMPETITION

Brief Submitted to the
Commons Standing Committee on Transport

submitted by the

Baie-Comeau Chamber of Commerce

at Mont-Joli

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(p17)

Under the federal government's protectionist policies, the NAP is adding to the current constraints on regional economies that have already been weakened.

Without genuine competition and an end to protectionist policies, the Baie-Comeau Chamber of Commerce believes that separating the airport system into two groups, profitable airports in the NAN, and regional airports that run a deficit, can only further impoverish the regions in the short term. The same argument applies to the new ports policy.

*A fundamental challenge, therefore, is to replace the present transportation regime with an integrated and affordable national system that emphasizes safety, reliability and efficiency and that builds strong, viable companies in all modes.*¹

As stated, this sentence appears to indicate that the welfare of the air carriers will remain a priority for the Minister, while the National Transportation Act clearly calls for establishment of genuine competition between and among all modes of transportation.

Twenty years later, the National Transportation Act, 1987 marked a greater shift toward market forces, and away from regulation as the prime influence on transportation. No longer would competition be restricted by legislation to inter-modal competition only, or competition between modes. The NTA, 1987 attempted to create new market energies and thereby encourage the best possible levels of service and price for shippers and travellers, by fostering competition between carriers within a mode. (Re: Competition in Transportation, National Transportation Act Review Commission, Vol. I, p. 144)

¹ Emphasis added.

Nothing to date appears to demonstrate the Minister's intention to solve this problem, which is a direct result of the government's protectionist policies.

On the subject of competition, two major commissions have reached the same conclusions.

- 1) We therefore believe that the National Transportation Act should be modified in order to further encourage competition in transportation and to lessen the role of government. Where government is needed, it should be as a facilitator of transportation and a guarantor of such policy objectives as safety and accessibility.

In summary, Canadian governments should ensure that efficient, effective and safe transportation constitutes the first goal of our transportation policy. To do otherwise, as we were reminded in our hearings, is to risk "compromising Canada's future competitiveness and prosperity." (Competition in Transportation, Report of the National Transportation Act Review Commission, Vol. I, p. 158.)

two carriers' fare structures, which increase at the same time, and there is nothing to sweep aside the concept of "eviction price" that the carriers use to kill any possible competition.

In two words, the *Competition Act* has no teeth.

The Competition Act predatory pricing and abuse of dominance provisions appear at present procedurally inadequate to deal effectively with this problem in the transportation sector. (Competition in transportation, vol. II, p. 189)

These two major commissions on transportation in Canada clearly recommended that the Minister introduce genuine competition in the transportation sector. We at the Baie-Comeau Chamber of Commerce wish to recommend to the Minister, as did these two commissions and the group of regional Chambers of Commerce in regions of Quebec with a regional airport, that full and complete competition be introduced into the domestic air transportation sector in Canada and that the government repeal all protectionist regulations in this field.

We believe that in an environment of competition and normal taxation, the transfer of transportation infrastructure, especially airports, to local authorities could provide the regions with specific instruments for development, but without this

PORTS

The Chamber of Commerce believes the port of Baie-Comeau is an infrastructure essential to the economic development of its community.

However, its transfer requires an infrastructure support program similar to the AIAP for airports.

Baie-Comeau's major firms increasingly use rail as a means of transportation for their goods, yet despite recent improvements, the need for rail car storage on the dock have not been considered, and this shortcoming restricts its use. We believe it would be appropriate for Ports and Harbours Canada officials to conduct an assessment with our business sector on the suitability of promoting intermodal transportation.

Finally, the Chamber wants the rate structure for use of the quay to be returned to competitive levels. The current rates are a disincentive for our businesses to use this infrastructure.

In addition, Mr. Chairman, once again we want western rail subsidies stopped. These subsidies maintain artificially low rates in the West that hinder development of transportation on the St. Lawrence Seaway. Thus, in this field as well, we want protectionist

PROTECTIONIST POLICIES AND THEIR PRICE

Quebec pays a very steep price for the effects of these protectionist policies. In addition to paying three times more per mile for domestic travel than for cross-border travel,² Quebec citizens have to travel much further to reach their regions than residents of most other provinces. In fact, carriers have chosen to develop their network using the American technique (hub and spokes) in which the Montreal airport is the centre of their operations (hub airport). This American management technique exacts a heavy price from Quebec's regions since the hub that should be at the centre of the region served lies far from the geographic centre. If we visualize Quebec as a vast triangle, the centre of air operations is located at the southwestern corner of this triangle and leads to very long routes for every trip to the regions.

At the fare levels now in force, the effects on the economy are clear: business people and regional economic developers are cutting back or eliminating their travel to major centres, to the detriment of these regional economies, the economies in major centres and finally the Canadian economy as a whole.

This situation clearly illustrates the incongruity of using this management technique (hub and spokes) in Canada. Yet in a protected

² Chambers of Commerce brief, page 8.

taxpayers to compete with other modes of transportation (Re: Bill C-32).

4 Hidden subsidies to carriers

In the past, the carriers have signed secret discount agreements with major users of air transportation, especially for travel by government and paragovernmental officers. These secret preferential policies were not renewed in late 1994, which means that governments and therefore taxpayers must pay the full price of air travel by their public servants. This is a diverted subsidy of about 25 percent of the total cost of transportation. This type of passive subsidy is the most recent consequence for taxpayers of the federal government's protectionist policies.

genuinely implement deregulation in air transportation through the establishment of true and complete competition, and especially by implementing the recommendations of the following organizations:

- 1 The recommendations on competition by the Royal Commission on National Passenger Transportation;
- 2 The recommendation on competition by the National Transportation Act Review Commission;
- 3 The recommendation on competition by the group of regional Chambers of Commerce in Quebec with a regional airport in their area.

2) This action by the Minister would effectively produce the benefits of competition: a decrease in fares and an increase in traffic. Then, transfer to the regions of transportation infrastructure and airports in particular would be enthusiastically welcomed and could not be viewed as an abdication by the Minister in the face of growing costs caused by protectionist policies. We would like to consider the Minister of Transport as the Minister of Canadian citizens rather than the Minister of Carriers, and although we realize that realignment of federal policies is a difficult initiative, it is the only viable approach.