Moving *Forward*

Canada has developed an excellent transportation system. So excellent, in fact, that it has all but disappeared from the minds of most Canadians: we take it for granted. But as we move into the 21st century, some powerful trends are changing the rules of the game. Transportation is essential to support our shippers and travellers. If we remain complacent – if we fail to respond – we will be acutely disadvantaged in the fiercely competitive global marketplace.

Our principle challenges in transportation are:

- ***Competition*** – Balancing the transportation interests of users with those of providers, in setting our competition rules and regulations.
- ***Investing for the future*** – Reinvesting in systems that maximize the best features of all modes and correct deficiencies in the existing infrastructure; and creating a business climate to stimulate investments.
- ***Government involvement*** – Determining the roles of each level of government: financial backer for infrastructure improvements – operator of transportation services – steward of the economy – guardian of safety and the environment – trade facilitator.

- ***Urban transportation*** **–** Providing top-calibre passenger transportation networks, while respecting the vital need to move goods.
- ***Technology*** **–** Making best use of the latest transportation and communication technologies.
- ***Environment*** **–** Balancing environmental concerns and economic priorities.
- ***Education and training*** **–** Attracting the best people and giving them, as well as those already in transportation, the appropriate training for the modern world.

As users of the Canadian transportation system, we all face these challenges. As taxpayers and voters, we will be asked to make tough choices about how the system should be changed, and what our spending priorities should be – how we will drive the future.

Choices and challenges

How will people move around?

Within cities

Getting around our cities is already a daily battle for millions of Canadians, and urban populations are rising: some cities project traffic increases of between 25% and 50%. The results are increasing traffic congestion, driver frustration, and air pollution. The impact is even more serious for vital commercial trucking activities that stock our stores, supply businesses and link our ports, airports and intermodal rail terminals.

We have options – we can install more capacity and we can curb demands on existing infrastructure. Building more capacity for personal vehicle use is not always the answer, because that can actually encourage more traffic. So before we build new infrastructure, we must ensure that we are making the best possible use of our existing system.

Reducing the strain on clogged road networks could be accomplished by maximizing the movement of people, not vehicles (e.g., improving public transit and discouraging automobile use, through measures such as higher downtown parking charges).

Technology holds great promise for helping solve urban transportation problems, and Canada is developing some excellent technologies. In future, we may be driving cars powered by alternative energy sources, such as electricity or the hydrogen fuel cell. "Intelligent transportation systems," which use various technologies to improve transportation conditions and communications, are also revolutionizing how drivers, vehicles and infrastructure interact. There are traffic management systems in operation today that advise drivers about congested routes to avoid. These technologies may require government funds to make them commercially affordable.

Between cities

For inter-city travel, a big question is how to regulate and promote competition. Canada's airline industry is a prime example. The federal government has long endorsed competition, yet the ability of our domestic market to support two major airlines is in question. Do our airlines have to go head-to-head against each other on all flights in all markets? If consumers fare better in a competitive system, should we allow foreign companies to provide the competition? Or should government regulate rates and services? Future developments in the air industry hinge on questions about the impact on jobs in Canada, ticket prices, and the level of services to Canadian communities.

For travel by surface modes, we need to decide how to make better use of bus and rail, as well as encourage the development of fuel-efficient and environmentally friendly cars.

What will our needs be for moving freight?

One in three Canadian jobs depends on trade. Transportation has played a lead role in our export-driven economy, with natural resource-based activities accounting for 44% of Canada's total exports. That role is expected to continue.

Today, however, goods are increasingly produced and sold internationally. Raw materials and components are supplied to distant factories, making regions and nations more interdependent. And the growth in both processed goods and the service sector is outpacing that of traditional commodities. All of this depends on transportation.

Transportation has also taken on a more immediate dimension in today's "scheduled" economy. Just-in-time deliveries are critical to businesses that have adopted the practice of more frequent, smaller shipments that minimize the expense of holding inventory. Consumers too, expect suppliers to have what they want, when they want it, so "seamless" air express, rapid trucking, and intermodal rail systems are crucial.

The question is how to ensure that transportation will meet the needs of natural resource producers as well as the value-added manufactured goods sector.

We also need to consider transportation systems in remote areas of Canada to enable resource extraction. There is a vast untapped economic potential in the far north, and transportation would play an important role in exploiting that potential. This will be possible when resource prices warrant it.

A modern, integrated transportation system is essential to maintaining a strong Canada and our quality of life.

How can governments help?

Governments have historically been seen as regulators of safety and economics, and as financial backers for new infrastructure and services. Federal and other levels of government retain a significant involvement in transportation safety, and the federal government continues to fund such ongoing services as ferries, VIA Rail, and the Coast Guard.

The future role of government depends, in part, on an assessment of how well the existing model is working. Are Canadian shippers or carriers disadvantaged by the total of our regulations compared to those of our competitors? Does one mode have any unfair advantage over any other? Are current policies helping or harming the nation's competitiveness?

Issues such as a higher total tax burden than that of competing countries, self-imposed trade barriers, and non-competitive regulations need to be identified to assess whether we have the right business climate to stimulate innovation, investment and improvements in productivity. Some of these questions will be addressed in the review of the *Canada Transportation Act* that is scheduled for 2000 – a "report card" of the *Act* after four years of operation.

Another important question is who will plan and provide infrastructure in future – and how they will do that – given the federal withdrawal from running our busiest airports and ports. For airports, there is a significant number of new infrastructure programs on the drawing boards of local authorities. For ports, there are concerns about how our larger ports can compete with US ports, and questions about the viability of many smaller regional ports. Will regional and national needs continue to be met most effectively, and at least cost to the consumer? For roads, the responsibility falls largely to municipal and provincial/territorial governments. There are calls for a national transportation infrastructure strategy that would focus on improving the National Highway System – many think that the federal government should have a key role, because the cost of correcting deficiencies in the system will be very high.

There are other calls on the public purse. Governments are being pressured to reduce taxes and spending, yet the public expects them to continue to fund a wide range of programs – everything from national defence to top-class health care – as well as maintain transfer payments.

Transportation faces stiff competition for federal funds, and some argue that the first priority should be to pay down the national debt. No one in transportation disputes the need for important social and economic programs. But many feel that transportation is not given the fiscal priority and funding it requires to support Canada's position in the highly competitive global marketplace. A good transportation system helps generate the economic prosperity to pay for our social programs, so some innovative thinking will be needed to help all sectors find ways to do more with less.

How will we pay for the transportation system?

The key issue to be resolved will not be who will pay for transportation infrastructure, because the consumer pays, through taxes or directly through user charges. The question is whether it is more effective and efficient for governments or for the private sector – or a combination of the two – to invest. For the private sector to have any interest, there has to be a competitive return.

Some in transportation want fuel tax revenues collected from the industry to be earmarked for spending on transportation projects, as is done in the US. There is growing consensus that transportation investments could proceed if federal, provincial and territorial governments were to share costs. Private-sector financing and even user-pay options, such as highway tolls, are being considered. Toronto's Highway 407, which was built and is operated by the private sector and backed by the provincial government, is and example of such a public-private project.

How can we have an environmentally friendly transportation system?

Today we are much more aware of our environment, and we recognize the importance of preserving it for future generations. We are also aware that Canada is the second-highest per capita energy-consuming nation in the world. There is a strongly held view that transportation, which is responsible for the largest share of greenhouse gas emissions from human activity in Canada, is on an unsustainable path. However, the role of transportation in reducing emissions, or how it might be accomplished, is still unclear. As big energy users and a nation dependent on transportation, we would be particularly vulnerable to the potential economic repercussions of having to drastically reduce emissions. That is why the question of reducing emissions should not be developed without a substantial understanding of the implications for the economy and the transportation industry.

It is generally felt in the transportation industry that policies to reduce emission levels should consider a range of measures, such as voluntary agreements, regulation, technology (e.g., more fuel-efficient and cleaner vehicles), and public awareness and education. Governments will play a key role because they can affect the economics of transportation activities through, for example, subsidies and tax incentives for fuel-efficient vehicles. In setting new policies, it will be critical for decision-makers to appreciate the impacts that their decisions will have on the movements of people and goods.

How can we attract, educate and keep excellent people in transportation?

Canada has overcome some unique physical challenges to develop excellence in handling bulk shipments, intermodal goods, and logistics information systems, all of which make it a world leader. This expertise could be taught and marketed to Canadians and others around the globe.

Investing in education would pay substantial dividends. Transportation education in Canada has been a low priority. We've been busy doing it, not teaching it. Pockets of transportation education were developed, with the support of the federal government, at universities between 1966 and 1984. More recently, these programs have been significantly downsized as a result of budget cutbacks.

The pressing challenge will be for governments, business and educators to work in partnership to develop and fund programs that will fulfill the long-term requirements of the transportation workforce. New ways of offering educational programs, such as through Internet-based distance learning, could be used to extend our transportation and logistics expertise to more people. Investing in human capital will help develop a competitive advantage for the benefit of the transportation sector and all Canadians.