TRANSPORTATION DEVELOPMENTS IN MANITOBA TO THE YEAR 2000

Proceedings of a Conference

Melanie Heads and Doreen Gusdal (Editors)

Occasional Paper No. 9

October 1990
TRANSPORTATION DEVELOPMENTS IN MANITOBA
TO THE YEAR 2000

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Edited by
Melanie Heads and Doreen Gusdal

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PREFACE

The completion of the Manitoba Transportation Action Plan to the Year 2000 earlier this year marked the conclusion of a major piece of work by Dr. John Heads of the Transport Institute in conjunction with participants in the transportation industry throughout Manitoba and in every aspect of it. It involved also the close co-operation and a lot of hard work from members of the civil service in the provincial and federal governments as well as the distinguished volunteers in the Transportation Industry Development Advisory Committee (TIDAC), which sponsored the study.

It seemed important to the Transport Institute that this work would be the basis for some immediate discussion and hopefully for a further plan of action. The conference which was staged at the Transport Institute was designed to fulfill these ends. It brought together again many distinguished participants in the industry and looked critically at the recommendations in the Action Plan. It is now our hope that the ideas and recommendations in the Action Plan will be the basis for hard work and action in order to accomplish many of the objectives related to them. It is hoped that the publishing of these proceedings may be of further assistance towards this goal.

The Transport Institute would like to thank the Manitoba Department of Highways and Transportation and CN Rail for ongoing support, which makes conferences of this type possible, and Policy and Coordination, Transport Canada, Winnipeg for funding the production of these proceedings.

Otto Lang
Chairman
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WELCOME AND INTRODUCTORY REMARKS

Hon. Otto Lang*

Good morning ladies and gentlemen and the honoured and distinguished members of our panel this morning. I am delighted to see all of you here and some of you in extremely good and early time this morning. It is one of the advantages of a gathering like this that it does bring together an interesting combination of people who make the day and a half interesting by their presence and contribution.

Transportation has to be one of the keys to the heart of Winnipeg, and, therefore, of Manitoba. It is therefore particularly appropriate that we spend some significant time looking at the issue. A significant piece of work and time was, of course, completed by John Heads in the Manitoba Transportation Action Plan to the Year 2000, in the analysis of the contribution of transportation to Manitoba, the look ahead at where we are going, and the policy issues and questions that needed to be resolved. This is a process that is ongoing and really does require a continuing and rigorous participation from people associated with the industry and particularly from those involved in government advising on issues that touch on transportation. There is no way that progress will be made unless we are completely forthright, clear, and analytical in our approach to the problems.

Winnipeg was, in many ways, founded on transportation and we are all aware of the fundamental importance of the distribution function of the city. In the days of the opening up of the west, Winnipeg was indeed a funnel point for people and goods and, therefore, a natural distribution hub. We know that this has changed and that this creates new challenges. It creates challenges as to what can be continued in the strengths that we have and the challenge of finding new opportunities and new ways to build upon the strength that are developing.

I do welcome you all here and do enjoin you to participate very fully in our discussions. I am particularly pleased that at lunch we are going to head back to the Institute and listen to a talk by Ed Tychmiewicz, the original head of the Institute. He agreed to speak to us on relatively short notice when it became apparent that the Minister of Transportation and Highways would not be able to be with us, because the Manitoba Legislative Assembly is meeting on the Meech Lake issue.

I want to say that Mr. Driedger has been extremely good and loyal in his support of the Institute. I know that he would have very much wanted to be with us, if events had allowed this. We have, instead, however, the continuing support of people who work with him and

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*Chairman, University of Manitoba Transport Institute.
who have been very strong in their support of the Institute. Jim Wallace has worked very closely with us over the years.

The gentleman I am going to call upon to chair the first session, Wes Graham, has also been very supportive of the Institute. Among his other talents is the fact that he managed to get into this building without my seeing him when I thought I was at the main entryway. That is going to give me a little pause because while I want his support, I’m not sure I want him to know back ways into the Institute. But, we are indeed delighted that among the people who have supported us and who are again supporting us by participating and working here this morning, we have Wes Graham. Wes will chair the air transport panel this morning and I will take over for the one on highway transport in the afternoon. Tomorrow, we will have our good friend and supporter, Gordon MacMichael from Transport Canada, to chair the rail session.
AIR TRANSPORT IN MANITOBA: CHALLENGES TO THE YEAR 2000

John Heads

The primary focus of this paper is on employment in the air transport industry in Manitoba and the changes likely to occur over the next decade. This was the main area examined in the Manitoba Transportation Action Plan to the Year 2000, recently completed by the University of Manitoba Transport Institute (UMTI). However, the study also addressed in a less detailed way the adequacy of current air service in the province from the standpoint of users. This material is examined briefly before proceeding to the main part of the paper.

1. Adequacy of Air Services

Let us start with a message of congratulations to Air Canada and Canadian Airlines International Limited (CAIL) in respect of their passenger and cargo services between Winnipeg and other parts of Canada. In the course of the interviews carried out by UMTI for the Transportation Action Plan, there were no complaints as to the adequacy of these mainline air services. The quality of air service between Winnipeg and other parts of Canada was described by several users as a major locational advantage for the city. It is possible to do business in Toronto/Montreal and Vancouver, leaving Winnipeg and returning the same day and Winnipeg is alone among the metropolitan centres of Canada in having the advantage of daily return service to major population hubs without subjecting the businessman to "redeye specials". The comments of air transport users in respect of adequacy and frequency of Winnipeg's mainline air services can be regarded as a considerable tribute to the two mainline carriers.

In transborder traffic, Air Canada provides direct daily service between Winnipeg and Chicago. In the winter, there is direct service to southern vacation destinations and similar services are also provided by CAIL. Both Air Canada and CAIL provide extensive services to the U.S. with changes of plane in other Canadian cities. Northwest Airlines operates four flights daily between Winnipeg and Minneapolis, with connections beyond to other points in the United States and abroad.

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*This paper draws extensively on John Heads: Manitoba Transportation Action Plan to the Year 2000, Executive Summary and Research Report, University of Manitoba Transport Institute and Transportation Industry Development Advisory Committee, Winnipeg, Manitoba, January 1990.

**Director, UMTI.
In the course of the UMTI study, the need was frequently expressed for a direct service between Winnipeg and Denver, Colorado, with the added attraction that the Denver hub offers service to other points in the United States. A twice daily Winnipeg-Denver service was re-established in June, 1989, provided by Aspen Airways' United Express, a partner airline of United Airlines. Unfortunately, financial problems in the initial development stage led to the discontinuance of this service effective December 7, 1989. American Airlines were talking publicly in mid-1989 about establishing service between Winnipeg and Chicago, but little has been heard of this in recent months. Late in the UMTI interviewing process, the view was expressed by one prominent businessman that services to the United States are really quite reasonable and not any serious impediment to business. UMTI has not examined this issue in depth, but this reassuring comment should be noted.

There are at present no direct international services between Winnipeg and overseas destinations by the polar route. Until six years ago, such service was provided by Air Canada between Winnipeg and London and by CP Air between Vancouver and Amsterdam, stopping in Winnipeg. The Manitoba Government is anxious to re-establish direct passenger links between Winnipeg and Europe and press reports in late 1989 indicated that discussion had taken place with Air Canada, CAIL, British Airways and KLM Royal Dutch Airlines. Air Canada is now running twice-weekly service between Winnipeg and London for the summer this year. Although this is via Ottawa rather than by the polar route, it is at least a step in the right direction.

Since the early days of aviation, airline services have been extremely important to northern Manitoba, particularly to communities without readily available surface transport. CAIL is the only mainline carrier also operating in Northern Manitoba, providing service on a daily basis or better to Thompson and also serving the Pas, Churchill, Gillam and Flin Flon. The other large operators in the north are Perimeter Airlines and Northland-Air Manitoba, both headquartered in Winnipeg, and Calm Air, a Canadian partner based in Thompson. In total, there are over one hundred licensed commercial air carriers in Manitoba, working from more than fifty bases in the province. A wide variety of services is offered, ranging from regular and charter passenger and freight service to specialized functions such as air ambulances.

The UMTI study included meetings with community leaders in the main northern centres - Churchill, Thompson, The Pas and Flin Flon - but did not include examination of services to more isolated communities. At a meeting in Thompson, views were expressed to the effect that airports and facilities in northern Manitoba often needed upgrading; that landing strips required lengthening and resurfacing to accommodate some of the larger aircraft; and that navigational aids were lacking in some remote areas. Community leaders in Churchill felt that the full potential of their airport had never been achieved, given the excellent runway and underutilized facilities there. There were complaints in the communities, particularly Thompson and Flin Flon, about the level of air fares to Winnipeg. These northern communities do have an avenue for redress by bringing their complaints on air fares to the attention of the National Transportation Agency in Ottawa, but this must be
done by the communities themselves, as the Province is not legally allowed to do this on their behalf.

In southern Manitoba, Brandon is served by Ontario Express, a CAIL partner, which provides Jetstream 31 commuter service to Winnipeg, twice daily on weekdays and once a day on weekends. There are also services linking Swan River and Dauphin to Winnipeg, provided by Keystone Air and Perimeter Airlines. The quality of air service in Brandon has been a concern for over twenty years. At its best, for two brief years, 1981-1983, Brandon had both commuter service to Winnipeg and transcontinental service on a Calgary-Brandon-Toronto route. At its worst, Brandon had no service at all between 1974 and June, 1979. The problem is that Brandon is a medium-sized city, which limits the traffic generated, and the distance to Winnipeg is only 189 kilometres. On this distance, an airline has difficulty competing with the private automobile in the face of a 40 minute flight, travel time to and from the terminals, time spent in terminals themselves, and the greater flexibility offered by the automobile. On transcontinental travel, Brandon has always suffered from being a spoke to the Winnipeg hub. With recent developments towards increased hub and spoke operations throughout North America, this problem is not likely to disappear. Yet, recognizing all these real problems does not dispose of the very strong Brandon concern that lack of air service is impeding economic development.

The conclusions from this brief survey of the adequacy of air transport in Manitoba are fairly straightforward. Mainline air services between Winnipeg and other Canadian centres are highly regarded. Transborder services are good, but could be improved particularly by a direct service between Winnipeg and Denver. The resumption of direct services to Europe by the polar route would be welcomed. In serving Northern Manitoba, carriers have to contend with problems of sparse population; this has obvious effects on the level of air fares, but carriers are also more captive to carriers than in Southern Manitoba. The provision of air services to medium size prairie towns like Brandon continues to be a problem. Clearly, there are economic problems in providing an adequate level of service, but it is difficult for any city to grow when air services are perceived as inadequate.

2. Employment in the Air Transport Industry

Table 1 shows employment in the air transport industry in Manitoba and Canada. In 1989, employment for Canada totalled 64,100, where 57,700 jobs were with air carriers and 6,400 jobs in services incidental to air transport, mainly the operation of airports.
Table 1: Employment in Air Transport

<table>
<thead>
<tr>
<th>Year</th>
<th>Manitoba thousands</th>
<th>Canada thousands</th>
<th>Manitoba %</th>
</tr>
</thead>
<tbody>
<tr>
<td>1966</td>
<td>2.5</td>
<td>23.2</td>
<td>10.8</td>
</tr>
<tr>
<td>1971</td>
<td>2.2</td>
<td>31.3</td>
<td>7.0</td>
</tr>
<tr>
<td>1976</td>
<td>2.8</td>
<td>41.8</td>
<td>6.7</td>
</tr>
<tr>
<td>1981</td>
<td>3.1</td>
<td>46.9</td>
<td>6.6</td>
</tr>
<tr>
<td>1983</td>
<td>3.0</td>
<td>50.8</td>
<td>5.9</td>
</tr>
<tr>
<td>1989</td>
<td>3.7</td>
<td>64.1</td>
<td>5.8</td>
</tr>
</tbody>
</table>

2000 - Forecast 86.0

Note: Revisions to statistical series prevent exact comparability between 1981 and 1983. Figures for the year 1989 were not available when the Manitoba Transportation Action Plan was completed and data for November 1988/October 1989 were therefore shown. Final 1989 data are now available and differ only slightly from the Transportation Action Plan figures.

Air transport employment in Canada doubled in the fifteen years between 1966 and 1981 and has increased by some 37% in the 1981-89 period. Air transport has, of course, been the strongest growth area in transport employment since the Second World War and this is likely to continue until at least the end of the century. In the Transportation Action Plan, Canadian employment in air transport was forecast at 86,000 in the year 2000. Forecasts for Manitoba are considered later in the paper.

Manitoba's employment in air transport in 1989 was 3,700 and details of this employment are given in the next section. In 1989, Manitoba had a 5.8% share of national employment in air transport and this was appreciably in excess of our 4.1% share of Canadian population. Fluctuations in the Manitoba share of total employment of the order of 0.5% are not significant and can be due to rounding, sampling fluctuations or random year-to-year variations. The Manitoba share of employment in air transport has therefore been stable in the 1980s, with the drop between 1981 and 1983 the result of statistical reclassification by Statistics Canada, although there is no ready explanation of why this should have affected the Manitoba share so adversely.

The earlier drop in Manitoba's share of Canadian air transport employment, particularly between 1966 and 1971, was unfortunately very real. This was the time when Manitoba was losing its Air Canada overhaul facilities to Montreal and the Manitoba share of national employment in the air industry fell by 3.8 percentage points. This was equivalent to at least 800 jobs even at that time. If Manitoba still had this additional 3.8 percentage point market
share, it would have been equivalent to 2,400 jobs in 1989. It would have been interesting to have documented Table 1 back to the mid-1950s, when Air Canada corporate headquarters were transferred from Winnipeg to Montreal, but it was not possible to compile data prior to 1966.

The conclusion to this section on employment in air transport in Manitoba is that the province has a share of the industry appreciably greater than its share of Canadian population; that this share has been reasonably stable over the last decade; and that Manitoba is providing employment in this industry considerably beyond what would be generated purely to service local demand. Air transport is by far the most rapidly expanding of the transport modes and it is obviously advantageous to have a high share of this employment.

3. Structure of the Manitoba Air Industry

The employment structure of the Manitoba air transport industry in 1989 was as follows:

<table>
<thead>
<tr>
<th>Airline/Service</th>
<th>Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Air Canada</td>
<td>2,100</td>
</tr>
<tr>
<td>CAIL</td>
<td>450</td>
</tr>
<tr>
<td>Gemini</td>
<td>160</td>
</tr>
<tr>
<td>Northern Air Services</td>
<td>700</td>
</tr>
<tr>
<td>Northwest Airlines</td>
<td>25</td>
</tr>
<tr>
<td>Other airport services</td>
<td>280</td>
</tr>
<tr>
<td><strong>Total (rounded)</strong></td>
<td><strong>3,700</strong></td>
</tr>
</tbody>
</table>

Descriptions of the main participants in the Manitoba air transport industry are given below. The definition of the air transport industry includes the Air Canada overhaul base in Winnipeg, but manufacturing employment in the aerospace industry is classified elsewhere as transport equipment manufacturing. The major participants in the aerospace industry are Bristol Aerospace, Boeing of Canada and Standard Aero. These companies, together with a number of much smaller participants, provide over 3,600 jobs in Manitoba. When considering the importance of aerospace manufacturing to the province, it is usual to include the Air Canada overhaul base, because of similarities between the skills used in this part of Air Canada to the aerospace manufacturing industry; this gives a total of some 4,100 employees in this wider definition of aerospace manufacturing.
3.1 Air Canada

Air Canada is by far the largest employer in the air transport industry in Manitoba. With 2,100 employees in 1989, this is equivalent to almost 10% of the company’s national employment. After Quebec and Ontario, Manitoba ranks as the third most important province in terms of Air Canada’s employment. The explanation of this heavy Air Canada presence in Manitoba is because company-wide functions are performed here. These include the location of Air Canada’s Finance Branch with 570 employees, the overhaul base with 470 employees, and the assignment of pilots and flight attendants providing 420 jobs. The District Office, with its sales, servicing and reservations activities, provides 300 jobs. The balance of 340 jobs are in computer operations, cargo, line maintenance and a variety of other activities ranging from purchasing to personnel. All this employment is in Winnipeg, as Air Canada no longer serves any other city in Manitoba.

The Air Canada Finance Branch is responsible for world-wide company operations covering all revenues and costs and interline ticket clearing. Of the 570 employees in this operation, the majority are employed on clerical tasks and 90% of the staff is female. Employment has declined very slightly over the past few years, as the productivity increases from the automation of procedures have more than offset the growth in airline travel. This will probably continue, as future developments lead towards a “paperless audit trail”, but sudden change is not expected. In theory, the Finance Branch could be located anywhere in the world to minimize costs; in practice, it would be expensive to move from Winnipeg and the city has very real attractions in its well motivated staff and good labour relations.

The Air Canada overhaul base in Winnipeg has had rather a chequered history. In the 1960s, Air Canada decided to phase out overhaul activities in Winnipeg and this duty took place in spite of an extremely strong protest campaign organized by the Manitoba Government with wide community participation. Air Canada activities were supposed to be replaced by the private sector with assistance from the Federal Government over the transition period. By 1969, the base was operating with a skeleton staff of about sixty, but more work was reassigned to Winnipeg in 1971. By 1978, the labour force was back to 200 and currently it stands at 470. This labour force is regarded as very stable and productive and Air Canada is well satisfied with performance.

The present work at the overhaul base is mainly airframe overhaul on the Boeing 727 fleet. In addition to Air Canada work, B727 overhaul has also been carried out on contract for a variety of carriers including Alaska Airlines and Federal Express. In terms of price and quality, the base is considered competitive worldwide. There has also been some work on DC-8 conversions and on RCAF Boeing 707 overhauls; work on DC-9s is confined to the overhaul of seats.

The B727 is an aging aircraft due to be replaced this year by the Airbus A320, but this will require little overhaul before 1991. In public announcements of April 1988, Air Canada indicated that it was “leaning toward the new airplane going into Winnipeg”, but that this
would not preclude handling the first of the new planes in Montreal, because the more advanced technology there would facilitate the troubleshooting which always arises in any new equipment. The future of the Air Canada overhaul base has not been in the news for some time, but the intentions expressed in April 1988 now seem much more firm. In the summer of 1989, Air Canada informed UMTI that there was a commitment to do A320 heavy maintenance in Winnipeg.

Winnipeg is the only pilot and co-pilot assignment base for Air Canada between Toronto and Vancouver, but flight attendants are also assigned at Calgary. Air Canada provides roughly 240 jobs for pilots and co-pilots in Winnipeg and 180 jobs for flight attendants. Some of these crew members do not actually reside in Manitoba - in the case of pilots, roughly one-quarter are resident outside the province. The corresponding figure has not been obtained for flight attendants, but the proportion is probably much lower. In spite of out-of-province residents, the choice of Winnipeg for crew assignment adds considerably to the number of highly paid professional jobs in the city. Air Canada has considerable flexibility in the number of flight crews assigned to Winnipeg and this employment is by no means captive to the province.

3.2 Canadian Airlines International Limited

In 1989, Canadian Airlines International Limited (CAIL) had just under 450 employees in Manitoba; these were located in Winnipeg, apart from about 20 staff at points in northern Manitoba. This employment figure does not include the two CAIL partners who operate in Manitoba, Calm Air and Ontario Express. There are, of course, no longer any separate Wardair operations. The latest published figure for CAIL employment across Canada was 16,500 in 1988. Manitoba's share of this employment is therefore just under 3%.

The CAIL Winnipeg office administers a territory stretching from Sault Ste. Marie, Ontario, to the Saskatchewan/Alberta border. Of the 450 CAIL employees in Manitoba, perhaps 300 are required to serve Manitoba traffic; these consist of staff employed in airport services and cargo, and a substantial part of the administration, clerical and reservations personnel. CAIL has more geographical flexibility in the location of flight attendants and regional headquarters functions. Winnipeg is the only base for CAIL flight attendant assignment between Toronto and Alberta, but the company has announced that it will cease to assign pilots in Winnipeg effective September, 1990.

The main differences between CAIL and Air Canada are that CAIL does not have any major head office functions or a major maintenance facility in Winnipeg. CAIL is not currently considering any relocation of head office functions, such as finance, to Manitoba. At the beginning of the 1980s the CAIL predecessor company, PWA, considered establishing a maintenance base in Winnipeg, but this did not materialize. With the amalgamations which led to the formation of CAIL, there are now maintenance bases in Vancouver, Calgary, Toronto, Montreal and Halifax. The company sees a need to rationalize. This does
not preclude consolidation of some activities in Winnipeg and the Province of Manitoba is currently discussing this matter with CAIL. Winnipeg has very real advantages for maintenance activities in its central location, its uncongested airport, and the easy access to spare parts for the A320 airbus fleet which CAIL has now ordered.

3.3 Gemini Airline Reservation System

The Gemini Airline Reservation System is a computerized reservation system for use in the airline industry. The company was established in 1987 when Air Canada and CAIL merged their reservations systems, having determined that an integrated system located in Winnipeg would make for maximum efficiency. The alternatives were to sign up with systems formed by U.S. carriers, such as American Airlines' Sabre, or for each of the Canadian carriers to attempt the difficult task of competing separately with global U.S. systems. Effective August 1989, one-third of Gemini was sold to Covia, a U.S. based reservation system, which is 50.1% owned by United Airlines. This gives Gemini exclusive rights in Canada to Covia's Apollo reservation system.

Shortly after Gemini was established in mid-1987, the Bureau of Competition Policy, a Canadian federal agency, sought dissolution of the merger on the grounds that this was anti-competitive. After a lengthy public hearing, the federal Competition Tribunal, which is the final arbiter on anti-trust issues in Canada, gave official clearance to Gemini in July 1989 to allow the merger to continue. The Province of Manitoba was a major intervenor on behalf of Gemini in this matter. This favourable decision was very important, not only to the efficient functioning of the Canadian airline carriers, but also to Winnipeg in terms of employment opportunities.

Gemini currently provides some 160 jobs in Winnipeg, of which all apart from about a dozen clerical workers are in the high-tech field. A further 30 jobs will be created in 1991 as part of Gemini's partnership with the Covia system of United Airlines. The computer related jobs of Gemini are important not only in relation to the airline industry, but in the extent to which they add to the overall computer expertise of Manitoba. To quote the Gemini director of operations from an article in the Winnipeg Free Press, July 13, 1989, the location of Gemini in Winnipeg is "a huge plum because otherwise the university and other computer centres would not have access to the same technology".

Canadians have worldwide expertise in long distance communication technology and large computer network operations. Salaries of programmers also tend to be lower than in the U.S. There are considerable attractions to a Winnipeg location for Gemini and the company seems well-satisfied compared with the original location of the Air Canada system in Toronto.

However, Gemini does have some problems. Telecommunication costs are a substantial part of total operating costs and include a 10% federal sales tax and a 7% provincial sales tax
on telephone charges. Communication costs would be much cheaper from a U.S. location. In addition, Manitoba Telephone System (MTS) will not permit direct connection to their lines of any other supplier’s equipment. This is the only telephone company in Canada that prohibits interconnects and this could be a major problem for Gemini when there is a need to use more sophisticated equipment than is currently sold by MTS. However, the potential problem has been substantially avoided by routing telecommunications through Telecom Canada rather than MTS.

3.4 Northern Air Services

Air transport employment in northern Manitoba services is of the order of 700. The three largest operators are Northland-Air Manitoba and Perimeter Airlines, both headquartered in Winnipeg, and Calm Air of Thompson. These airlines are all of broadly comparable size and, as at mid-1989, provided a total of 370 jobs. There are over one hundred licensed commercial air carriers in Manitoba, working from more than fifty bases in the province. On the basis of consultation with experts knowledgeable on this subject, these would seem to provide approximately 300 jobs. A precise estimate would involve a lengthy survey of these carriers, but the present study did not extend to an in-depth survey of northern carriers and their concerns.

3.5 Airport Employment

Services incidental to air transport provide 300 jobs in Manitoba. These are mainly located at the Winnipeg International Airport. UMTI has recently completed a separate study in this area entitled *The Economic Impact of The Winnipeg International Airport*. The total employment associated with the airport was estimated at 3,700, but this included air carriers and a substantial part of Winnipeg’s aerospace industry.

Finally, it should be pointed out that Transport Canada has its Central Region Headquarters in Winnipeg. This administers airports, air navigation and air safety programs for Manitoba, Saskatchewan, Northwestern Ontario and the Central Arctic. There are over 300 employees in this Regional Administration, although these are classified by Statistics Canada as public administration rather than as part of air transport.

4. Employment in the Air Transport Industry in the Year 2000

Table 2 shows air transport employment in 1983 and 1989, together with two scenarios for the year 2000. The discussion focuses on the target figure set for the year 2000, but the table also shows a pessimistic scenario of no real progress over the next decade.
Table 2: Employment in Air Transport

<table>
<thead>
<tr>
<th></th>
<th>Manitoba thousands</th>
<th>Canada thousands</th>
<th>Manitoba %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actual 1983</td>
<td>3.0</td>
<td>50.8</td>
<td>5.9</td>
</tr>
<tr>
<td>Actual 1989</td>
<td>3.7</td>
<td>64.1</td>
<td>5.8</td>
</tr>
<tr>
<td>Forecasts 2000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>No progress</td>
<td>4.2</td>
<td>86.0</td>
<td>4.9</td>
</tr>
<tr>
<td>Target</td>
<td>5.3</td>
<td>86.0</td>
<td>6.2</td>
</tr>
</tbody>
</table>

Of Manitoba's employment in air transport in 1989, roughly 1,900 jobs served local demand, mainly services between Winnipeg and other Canadian cities and the U.S. and air services in northern Manitoba. In broad terms, employment in this sector of the industry should increase at roughly the same rate as for Canada as a whole to the year 2000. This would give employment then of 2,500. Obviously, this figure is subject to some fluctuation depending upon a variety of factors - the overall development of the Manitoba economy, activity in the north, government policy towards isolated settlements, and transborder air services from Winnipeg. However, these uncertainties are likely to have less effect on employment than the uncertainties on other air transport jobs in Manitoba discussed below.

Of the total air transport employment in Manitoba in 1989, some 1,800 jobs were to provide services not necessarily tied to the province. These consisted of the Air Canada Finance Branch (570 jobs), the Air Canada overhaul base (470 jobs), the Gemini Airline Reservation System (160 jobs), and other Air Canada and CAIL employment, mainly crew assignment at Winnipeg, say 600 jobs. The employment target in Table 2 requires an increase in these 1,800 jobs of 1989 to 2,800 jobs in the year 2000.

The Air Canada Finance Branch is not an expanding operation in terms of employment; the automation of procedures has more than offset the growth in airline travel. Gemini is expecting an increase in employment to about 200 by 1991 and, hopefully, beyond this figure in later years.

Excluding the Air Canada overhaul base, the other Air Canada and CAIL footloose employment in Manitoba consists mainly of the use of Winnipeg as a base for crew assignment, together with some of the sales, servicing and reservations functions. With reduced flight crews in newer aircraft, prospects for increased employment of pilots are not very promising. Winnipeg is the only pilot and co-pilot assignment base for Air Canada between Toronto and Vancouver, but flight attendants are also assigned at Calgary. Although Winnipeg is the only CAIL base for flight attendant assignment between Toronto
and Alberta, pilots will no longer be assigned here after September, 1990. The target for footloose employment in this area for Air Canada and CAIL is specified at 700 in the year 2000, for an increase of only 100 jobs.

Over recent years, Air Canada has had problems recruiting qualified labour and this has been a general problem for the aerospace industry. There is no local training for apprentices and technicians in air frame overhaul work and training takes place in Thunder Bay, Calgary and more distant locations. Air travel is still growing and maintenance requirements are increasing. However, in the long-term, technological changes in aircraft will tend to reduce maintenance demands. New types of aircraft are equipped with computerized fault reporting systems linked with expert diagnostic systems; it is possible to troubleshoot problems much more quickly than in the past. In addition, airlines are upgrading their scheduling of preventive maintenance. These developments will reduce the demand for maintenance resources.

Experience with the Air Canada overhaul base has been positive in the 1980s and the study did not unearth any concerns as to replacement work for the B-727 overhaul, which will be phased out starting in 1990. A target of 700 jobs is set for the year 2000. This means that an increased proportion of total Air Canada maintenance would be carried out in Winnipeg. Efforts should continue to be made to explore with Air Canada the possibility of locating increased headquarters functions here. However, the province must recognize that it already has a large share of this company's employment.

Potentially, there is more scope for attracting increased employment on the part of CAIL. Manitoba needs to attract both administrative functions and an overhaul facility, although recognizing that this latter objective might be achieved in stages with an enlarged maintenance facility preceding a full overhaul base. Current efforts by the province in respect of CAIL have been mentioned earlier and the location of a Canadian overhaul base here would reinforce Winnipeg's growing aerospace industry. The target calls for a CAIL overhaul base in Winnipeg, together with the transfer of other CAIL administrative functions, for an employment impact of 600 jobs.

The objectives and the additional employment needed to reach the target for employment in air transport are stated as follows:

Objective 1 Achieve the location of a Canadian Airlines International Limited overhaul base and other administrative functions in Manitoba - 600 jobs.

Objective 2 Secure increased Air Canada overhaul activity at the Winnipeg base - 200 jobs.

Objective 3 Expand Winnipeg's role as a centre for crew assignment and customer service activities - 100 jobs.
Objective 4. Ensure that Winnipeg continues to offer locational advantages for the Gemini Airline Reservation System - 100 jobs.

5. Achievement of Targets

In a free enterprise economy, there are limits to the extent to which government can influence the location of economic activity. The objectives specified for air transport in Manitoba can only be achieved if the private sector firms in the industry are convinced that it is in their economic interest to locate additional activities in the province. The federal and provincial governments must work together to create the environment in which the private sector will be encouraged to attain the objectives which have been enumerated.

Specifically, this includes the need to:

(i) improve training facilities for aircraft overhaul technicians in the Red River Community College and similar institutions, as inadequate training facilities have been identified as a major problem by the Manitoba air transport industry;

(ii) increase the availability of computer skills in Manitoba needed by "high tech" industries such as Gemini;

(iii) ensure that the labour intensive activities of aircraft overhaul are not impeded by financial burdens, such as payroll tax;

(iv) allow competition in telecommunications, which would result in lower telecommunication costs incurred by the Gemini System and reduce the danger of re-location south of the border, where such charges are already lower;

(v) market Manitoba as a location for air transport activities in terms of:

- the central location of Winnipeg, which reduces unnecessary aircraft mileage in overhaul operations,

- the recognized productivity of Manitoba labour in overhaul activities, hopefully soon to be further improved by better training facilities,

- the synergies, such as ready availability of labour and parts, to be achieved by locating air transport activities in a centre where the aerospace manufacturing industry is also growing strongly;

(vi) utilize, as in many development initiatives, federal and provincial political and financial inducements to achieve the objectives specified.
The representatives of the airlines, CALPA and the Chamber of Commerce are now invited to speak on the targets specified, the prospects of achievement, and any alternatives they may have in mind. They are asked to be brutally frank, because this is the only way in which economic development opportunities can be implemented in the real world.
AN AIR CANADA PERSPECTIVE

W.J.A. Rowe*
Reaction Panelist

It is a pleasure for me to be here this morning because I was born in Portage la Prairie which seems like a short time ago, but chronologically is better than half a century ago. I feel that I certainly have some generic roots in Manitoba and some very hard earned roots in Western Canada, in total and in the transportation scene, although my career has taken me right across this great country of ours. It gives an interesting perspective to what transportation means to Canada, to Western Canada, and especially to Manitoba which has traditionally been a hub for transportation in this country and for a significant part of this continent. That is really how Manitoba got going. More than anything else, it was the role of transportation crossroads that influenced our historic past. The challenge now becomes what we are going to do in the future and how we fit into what is increasingly a global picture.

I would like you to try not to think like Maniobans. Think about the west, think about Canada and North America. Try to step back, if you can, and take a look and see what is happening very quickly in this world of transportation.

Transportation is increasingly the physical movement of goods and people in a global sense and this is particularly true of the air mode. Air transport is a very exciting industry. Less than fifty years ago, air transport was a highly selective transportation mode, used very infrequently. Nowadays, air transport is something that everybody expects; people do not think about it an awful lot and do not want to pay very much for it. Transportation is terribly important to the growth of communities worldwide, the total world economy, and an indispensable part of our lifestyles. One cannot envision our world without the type of transportation we now have in airlines.

In this last decade of the century, there is a lot of speculation as to what is happening. One can envision what that might mean to Manitoba, and to Winnipeg, in particular. It is a scenario that is not necessarily subscribed to by everybody, but it is a scenario to think about.

It is thought that, by the end of the century, there is probably going to be about twelve airlines in the world, or alliances operating on a global basis. The alliances will be networks of allied carriers with integrated systems - marketing and operations. There are four options for today's carriers facing such a concentration and Canada's carriers, Air Canada and Canadian Airlines are facing this type of dilemma and choice. The four options are: to be a stand alone, single, corporate, global player, big on the world scene; to become part of a

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global network in an independent but subordinate role; to be acquired or merged with a
global player; or to have a limited international presence and be satisfied and hope to
survive on the domestic scene.

I do not think we are likely to be, either Air Canada or Canadian, in that last category. I
do not think either one of us is likely to be the first category, that is a major, dominant
player on the world scene. Somewhere in between, we have directions that Canadian
carriers are likely to go.

A characteristic of a stand-alone global airline in the year 2000 will be size. Airlines will be
large companies. Presently, Air Canada has in excess of 3.5 billion dollars worth of
revenues, but the smaller of these global companies by the end of the century will be 10
billion dollars in annual revenues. Examples of some future players on a global scale are
American Airlines, United Airlines, Japan Airlines, perhaps Lufthansa, probably British
Airlines, and a couple more. Most likely these players will be amalgamations of other
carriers as they get into this global network.

Where will Air Canada and Canadian be? What does this mean, in particular, to
transportation in Canada?

There is another feature in addition to size - there will be roots. The global player will serve
the three important global markets - Asia, Europe, and North America. They will offer daily
service to all major centres; they will have a presence in important parts of Africa, South
America and the Middle East.

With regards to North America, currently, 40% of all international air travel either originates
in or is destined for North America. To be recognized as a global carrier and participate in
these traffic flows, the major business markets in gateway cities will have to be served on
a daily basis. Those gateway cities are likely to be New York, Washington, Los Angeles, San
Francisco, and Chicago as a minimum.

Canada has several distinct geographical limitations in this global play. Some people might
not like my opinion on this matter, but my opinion, which is purely personal and not an
official company view, is assured somewhat by the amount of work I have done in the Pacific
Rim over the last two decades and, in particular, coming back into Western Canada in the
last year. Distinct geographic limitations that we have as a country are not insurmountable
handicaps, but it is important that one understands them, because they are going to
influence heavily upon the success of any strategy we put together.

We have a population clustered within a hundred miles of the U.S. border. The population
is centred disproportionately in very few metropolitan areas. Winnipeg barely makes that
category. The Canadian population forms the most northern settlements in North America
lending itself to north-south traffic as spokes feeding into hubs. One of the latest hubs, and
one that is thought to have grown the fastest, is Denver serving, conceivably, early in the
next century, almost all of North America for inter-continental traffic. That greatly concerns me. We will be spokes more than hubs. Remember this is a scenario, not necessarily a firm forecast, but there is a lot of evidence supporting it.

Canada enjoys only limited tourism appeal. As a past chairman of the Tourism Industry in Canada, that bothers me a lot. But, in a global sense, we have very limited appeal. The Japanese market, which we seek out in this country, gives us 5% of their tourism. Australia gets 11% of Japanese tourism. That is part of our challenge in Canada. Incidentally, concerning the U.S. traffic, I just came from Yellowknife where we had a meeting of the Tourism Industry in Canada, and we are all almost paranoid about lack of U.S. business this year. Last year was not a good year for U.S. tourism business in most of Canada. This year looks even worse, and the U.S. is our biggest tourism customer.

Canada is largely outside the major air traffic flows. A number of us have been in this business many years. I just concluded thirty-eight years last Saturday. I have been reflecting back upon my years in the business. In that period of time, we have changed from a major cross-over point in how you got to many parts of the world out of the U.S. and Canada. Now, people can fly around us and over us. They do not have to land and be serviced by Canadians. Many of our airports, Winnipeg was one, Edmonton was another, were cross-over points and were really developed on the basis of aircraft having to stop for servicing. We are no longer necessary in the transportation sense in that way. We are outside of major traffic flows in North America and worldwide.

Canada tends to be overshadowed in its economy by size and proximity to the U.S. I won't dwell on that; we all understand and must try to take advantage of this as opposed to being discouraged.

Airlines in Canada are linking a narrow east-west band in Canada, as traffic will increasingly flow north and south. I came from a Pacific Basin Economic Council Meeting in Tokyo a couple of weeks ago, and for the first time we had a major inflow of people from Latin America because they also have a Pacific Rim - Chile, Peru, Columbia, Mexico etc. While the Latin Americans are not heavyweight players, it struck me, as a Canadian, that we must lengthen our concept of north and south. We cannot just think of North Dakota, Denver, or Tampa; we must think of Santiago, Lima and cities in Mexico. This change is not going to happen overnight. However, by the end of the century, the Latin American cities are going to be major influences on our way of life. We will think increasingly north and south and increasingly western hemisphere. That will influence what we do here in Winnipeg as people - how we develop our skills etc.

The Free Trade Agreement with the U.S. is only the beginning. I am on a GATT Committee for our country on the services and transportation side. There is no question in my mind that we will see greater continentalism, as free trade is extended to Mexico. When I was in university, continentalism was the vogue, but disappeared as we went more nationalistic. Now, I think it is coming into its own, as we approach the end of this century.
It is coming faster than we can cope with it. We won’t be the key influencers, and that is a real problem to us - how do we play a role in the strategy and the plans that John Heads has put together in a very good paper. He outlines a game plan, but all these externalities are around us and they are going to have substantial influence on developments.

I could go on and talk about the U.S. and Europe - the mega-influence that Europe will have in 1992 is without question. We all understand that Asia is certainly burgeoning with transportation opportunities. It is thought that probably about 90% of the opportunities yet to be realized are probably in the Asian side for transportation, if only because of the numbers of people that do not yet travel. Europe is well-developed and will have its influence from 1992 onwards, and will be a major influence upon what we do.

Another influence that will happen, and perhaps, this is where Manitoba can play a role, is that the global airline network will benefit from strategic hubs and traffic beyond - not that Winnipeg is going to be a strategic hub, but we may be able to feed in and tie in to the hubs. I will continue with that idea a little later on. Tokyo will be a hub; Singapore, London, New York, Chicago are all hubs. Toronto is a hub, but having to scramble desperately because we have not built anything there for so long that the infrastructure will not support growth. That is not much less true of Vancouver which could be a Pacific hub and could be a major influence upon development in Manitoba.

As a country, we have not put money into airport infrastructure. On a global basis, the most constraining feature in the Canadian air transportation development is the lack of the infrastructure. Runways, more than anything else, sophisticated nav aids, and terminal processing plants to process hundreds of thousands of people are needed in Canada. There has not been a new airport built in Canada in the last couple of decades. Only now is some money being put into some terminal buildings, but those are still not state-of-the-art in people movement. The type of buildings that are being built are more or less the same as those that were built in 1947, except we have turned our airports into economic bazaars - one can buy canned sausage, one can buy smoked salmon, and one can buy a suit of clothes.

The global carrier will serve the North American scene, European scene, and, of course, the big markets in Asia, notably Japan, South Korea, Taiwan, Hong Kong and Singapore. Singapore is a cross-over, not really a generator of traffic. The other places will be megawhats. Towards the end of the century, there will be other places in the world coming on like Thailand, Indonesia etc.

The global carrier will have a relatively young fleet - eight to twelve years in age. This will reduce the work of maintenance bases, as John Heads suggested in his paper. The aircraft will be technologically superior, wide-bodied and long-haul. Basically, that is how the growth is going. We have to serve the in-between needs - the Airbus 320 is doing that now as a shorter haul, inter-city type of aircraft.
To give you a scheme of things, Canadian Airlines and ourselves have ordered, between us, about eight 747 400's with some options. Korean Airlines have eight already, they have just ordered twenty-three more. These aircraft cost just under $200 million each. Therefore, our carriers are obviously going to have make some changes.

The infrastructure has constrained us and vastly reduced flexibility. We are not alone - one cannot make a move in Tokyo, it is difficult in Frankfurt, impossible in London, and so forth. Worldwide, as air transportation has burgeoned, there has been a constraint on the plant because it has not been able to keep up. In Winnipeg, we have an airport that is uncongested. Perhaps, we could play some kind of a role in this global scheme of things.

In our company, Manitoba is the only province where we spend more money than we take in. By expanding Air Canada's global network, we think that this is one of the better ways of helping Manitoba diversify and grow indirectly because we can become a global trader. We will not be a massive global trader, but rather, part of somebody's alliances. By taking our sights beyond North America, we think that is one of the ways of helping places such as Winnipeg, which has a good infrastructure, start to grow.

In addition to the mega-centres for world activity in the air transportation business, there will be many secondary and tertiary centres that feed into centre cores, such as Denver or Salt Lake City. One of the areas that I would look at from a Manitoba point of view is to develop city alliances and state and province alliances. Since coming back from Canada's west coast, I have been struck by the changed relationship that is taking place between two arch-rivals - Vancouver and Seattle. I see a mega-alliance coming there. Now, Portland is leaping into the fray and wanting to be part of the scene. In Oregon, which at one time was almost a closed economy where they did not even welcome vacationers, all of a sudden, they are having to seek some world prominence for the city of Portland. From their point of view, Portland is really starting to burgeon. It is no better placed geographically than Winnipeg - one cannot get to many places from Portland. It is not that close to San Francisco; it is not as close as Winnipeg is to Minneapolis. City alliances and state-province alliances are one way of knitting together and being part of a larger North American scene because one cannot stand alone. In a Canadian sense, on the top of North America with a minuscule population base, there is no possibility of standing alone.

Manitoba has a greater repository of skills than many places in Canada and many places in the North American continent. It is a distinct Manitoba advantage. What are the new skills that are going to be needed in this developing scenario and how can Manitoba play? Manitoba has the base - a supply of skilled people. In many parts of the world, we are running out of skills. For example, the Boeing plant which employs 120,000 people is looking everywhere for people skills. They cannot find them in Seattle, Kansas City or Vancouver. Can it be done here, and how can that be done in an alliance sense?

One comment I would say about the study is not to target on companies - that is my opinion, not an Air Canada opinion. My observation is that companies change. Companies are
made of people and people change - executives change and commitments change. Companies, now, have to have a worldwide survival mechanism. As a consequence, it is difficult to get them to commit. We do not intend to pull out of Winnipeg. We are doing everything we can for our maintenance base, and we see growth coming. Instead of targeting on a company with a certain number of jobs, target on the skills, the areas, and the alliances that you can attract.

Minnesota cannot be that much better off than Manitoba. When one looks at a North American map and the geographic location, is there synergy between the two peoples? Do they speak the same language, watch the same TV sets, etc.? Can there be synergy between these peoples? Can that make the Winnipeg base stronger in an alliance sense?

It is hard to have an alliance with Toronto - there is too much rock and water between Winnipeg and Toronto and it is hard to get there from Winnipeg. Calgary is also too far away and looking at the Pacific Rim. Alberta and B.C. have got to work together on the Pacific Rim instead of fighting each other as they tend to do. One must look at something in the central part of North America that can work in synergy with Winnipeg.

What's needed, how do you provide it, and what role can the university play? Perhaps, the university can play a catalytic role in bringing these people together - a brokerage type role. Academics probably do not talk any more politely to each other than business people do. On the other hand, they do get together and co-operate. From that point of view, perhaps, a net advantage that Manitoba has is working in that regard today at this conference.

Air Canada has been and continues to be very proud of the role that we play in the Winnipeg scene. I can give you our pledge as a company to continue very strongly to play that role. We have a highly skilled work force here, as John Heads mentioned. Skills tend to get higher with time, and our skills undoubtedly will too. Skills attract other skills. That is a good thing to build upon. Winnipeg should use this to its advantage in negotiations to acquire further economic activity.

Winnipeg should think North American, think globally in what you are after and think of skills as opposed to particular companies - although you cannot ignore the companies because that is where the decisions are going to be made. Think in those terms and I believe that you will have better than a reasonable chance of success. We are going to work right along with you and we will be very proud to do so.
A CANADIAN AIRLINES INTERNATIONAL PERSPECTIVE

Martin Copeland*
Reaction Panelist

Thank you for the invitation to participate in the conference on the Manitoba Transportation Action Plan to the Year 2000. It is very important to assess the transportation developments over the next decade to have a better understanding of future employment possibilities in this industry.

I would like to respond to some of the issues raised in Dr. Heads' paper and also convey some information with regard to new developments in Canadian Airlines including the introduction of our Northern Division.

With regard to the level of air service in Manitoba, I am pleased to hear that individual surveys of the Chamber of Commerce, the Winnipeg Business Development Corporation and the Consumers' Association of Canada concluded that the level of air service is at such a high level as to be considered "an advantage for the city".

Canadian Airlines offers 30 non-stop flights per day between Winnipeg and other points in Canada. When non-stops and one or two stop flights, are included, we have three a day to Calgary, one to Edmonton, two to Ottawa, one to Regina, one to Thunder Bay, eight to Toronto and four to Vancouver. Our network is supported by our 18 commuter partner flights per day, between Winnipeg and Brandon, Dryden, Regina, Saskatoon and Thunder Bay, as well as our northern services which I will address a little later in this discussion.

The level of Canadian Airlines frequency will increase in the future as demand for air travel grows, which really depends upon the level of economic growth.

We currently do not fly any transborder flights out of Winnipeg and overall our number of transborder routes is rather limited. While Air Canada operates 16 such routes, we have only four. Our transborder revenues are less than 100 million dollars annually whereas Air Canada currently earns in the neighbourhood of 600 million. The Air Bilateral between Canada and the U.S. has stalled and there has been no major change in over a decade or even discussions for the last several years. It is our opinion that with the Free Trade Agreement between Canada and the U.S., the existing routes between the two countries will soon be bursting at the seams as the volume of economic activity and interest between the two countries rapidly expands.

*Director, Commercial Planning and Strategy, Canadian Airlines International Limited.
Unfortunately, there has been a preoccupation by Canada with the possibility of cabotage rights for Canada within the U.S. We feel that this is an immovable, precedent setting issue that is totally unacceptable to the U.S. because of pressures they will experience from Asian carriers to have similar such rights if they are given to Canada. Also, the Europeans who are moving towards a single European community in 1993, which could eliminate current fifth freedom rights for U.S. carriers, would reinforce their position on this issue in negotiations with the U.S. I think it is quite apparent that this is not an issue that the U.S. will consider and therefore it is simply acting as a roadblock to any air bilateral talks between Canada and the U.S. It is high time to take this issue off the negotiating table and get on with serious discussions of new routes between the two countries.

We would like to see the development of an open skies arrangement between Canada and the U.S., phased in over a period of time, to allow us to buy equipment to start flying new routes to the U.S. This would be a healthy development for Canada, and certainly Manitoba, since it would no doubt lead to additional services between Winnipeg and points in the U.S.

With regard to overseas services, Canadian Airlines, of course, provides extensive connections for travellers from Manitoba. We have eight flights per day between Winnipeg and Toronto, from where we have services to London, Amsterdam, Paris, Munich, Milan, Rome and Copenhagen as well as five cities in South America. On the Pacific, the four flights per day from Winnipeg to Vancouver can provide passengers with connections to Tokyo, Nagoya, Hong Kong, Bangkok, Sydney, Australia, Auckland, New Zealand, Fiji and Honolulu. We have good connections at these two international hubs and a lot of travellers choose this routing for their foreign travel.

I applaud the efforts of Air Canada to introduce direct, same plane service out of Winnipeg to London this summer despite the fact that some people have been critical that the flights stop in Ottawa. The growth of traffic over the next few years between Manitoba and Europe, particularly Eastern Europe, will enable Canadian Airlines to consider such possibilities.

One of the issues raised in the paper was the level of air fares between some of the northern Manitoba points and Winnipeg. There were complaints from northern communities that the fares between Thompson-Winnipeg and Flin Flon-Winnipeg were somewhat out of line. Our review of the fares on these routes, relative to some other routes of similar distance, indicates that in fact the prices are very much in line.

For instance, between Winnipeg and Thompson, a distance of 421 miles, the full economy fare is $211 one-way, while the deep discount fare is $95 for half a round trip. The comparable fares between Chicago and Pittsburgh, a route of similar distance, 418 miles, are $264 and $112, respectively. The Canadian Airlines fare is $53 less in economy and $17 for the deep discount. A similar review was done for Winnipeg-Flin Flon which compares to Denver-Salt Lake City in distance. The Canadian fares are lower.
With regard to the proportion of total Canadian employees based in Manitoba, the statistics that were used in the report indicate that only 3% of our total number of staff were employed in Manitoba. Approximately 1,000 of our employees are based abroad, so that if you look at the active number of employees in Canada when these numbers were measured, we would in fact have had about 4% of our Canada employment based in this province. However, subsequent to these statistics was the acquisition of Wardair, which had virtually no employees in Manitoba, and as a consequence the statistical base right now is about 3%.

The paper makes mention of a possible Canadian Airlines maintenance base in Winnipeg. While it makes good sense to do line maintenance in Winnipeg, a facility providing the more extensive maintenance does not really make economic sense. It would require additional positioning flying to bring our aircraft to Winnipeg for such maintenance and such costs would far exceed any labour cost saving. I do not think many of you from Winnipeg would drive to Brandon if you need a transmission job. By all means talk to our maintenance people, but the reality of Winnipeg's location and our network does not make a major maintenance facility a high probability.

As you know, we recently introduced our Northern Division as a separate, distinct operation within Canadian Airlines. This has now given a much greater focus toward northern needs by having a vice-president in charge of this area, with a staff involved in scheduling, pricing, marketing, product development and all other elements as if it was a separate airline. As a consequence, there is better seat pitch on the aircraft used in the north, increased level of service, improved reservations, a choice of meals, china service, broader choice of newspapers and the use of several native languages on board our aircraft. I think it also has been responsible for a healthier crew attitude to the operations which is of benefit to the travelling public.

With regard to another important customer consideration, Canadian Airlines has created a new Customer Service Division within the airline, which has sole responsibility for providing our customers with an improved quality product. As a consequence, there is a greater focus on the needs of our customers and we have added 50 million dollars to our 1990 budget to assist in the process of retraining our employees and other product improvements. The benefits of training of all of our staff that are in contact with the customer is becoming very visible on all our flights.

In conclusion, air service in Manitoba is recognized as being more than adequate, our prices within the province are reasonable, and our initiatives are improving what we offer the travelling public. If we can get Canada off the issue of cabotage, we can then get on with a new transborder air bilateral resulting in a great deal of new routes.

It looks like a great start to the decade leading to the year 2000. We hope you will all have an opportunity to experience our new service, hopefully on a new U.S.A. route early in this decade.

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A CANADIAN AIR LINE PILOTS ASSOCIATION PERSPECTIVE

Ron Muller
Reaction Panelist

I am a pilot for Canadian Airlines and a local Chairman for our union, the Canadian Air Line Pilots Association (CALPA). I would like to thank the organizers of this conference for inviting CALPA to speak here today and share our concerns and observations with you. I will be presenting the view and perspectives of myself and Mr. Merv Kuruluk, the local Chairman in Winnipeg of CALPA's Air Canada Council 7. Mr. Kuruluk and I agree that Dr. Heads should be greatly complimented on the fine detail and accuracy of his study.

From the Air Canada perspective, Mr. Kuruluk, who is a native Manitoban, expressed his views to me and asked that I speak on his behalf. His first observation was on Air Canada's DC-9 and B727 operations. These are beginning to decrease and CALPA is concerned about maintaining employment numbers in Manitoba. Air Canada is faced with an aging fleet and is now replacing both the DC-9 and B727 with the A320, a new and highly efficient aircraft. The hope is to have A320 crews based in Winnipeg, but the number of pilots will decrease somewhat as the A320 is a 2 crew aircraft, whereas the B727 is a 3 crew aircraft.

The study mentions the start-up of an Air Canada overseas operation in June from Winnipeg to England via Ottawa. Mr. Kuruluk hopes that this will prove fruitful and that it will continue and grow.

With the larger aircraft such as B767 and L1011 not based in Winnipeg, there are some pilots living in Manitoba, who must commute either to Toronto or Vancouver to maximize their earning potential, as their seniority standing gets better and they are qualified to fly the larger aircraft. Pilots living in Manitoba feel that because of the relatively low cost of living and low housing costs their standard of living is somewhat higher than that of pilots living in the more expensive centers such as Toronto and Vancouver. There are also some pilots who are commuting to Winnipeg from other provinces. They are taking advantage of their seniority in a relatively junior base until they can hold a better position elsewhere.

Looking toward the year 2000, Mr. Kuruluk expressed concern about Air Canada having a Winnipeg pilot base at all. His hope is to maintain the status quo, but this is a corporate decision in an airline industry which is changing rapidly.

One expectation that Mr. Kuruluk felt that the airlines had not pursued to its full advantage is the southbound traffic out of Winnipeg to the holiday hot spots. Most people travelling

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Chairman, Canadian Airlines International Limited, Council 10, Canadian Air Line Pilots Association, Winnipeg.
south have to fly initially to Toronto in order to reach these destinations. This could possibly be a result of deregulation of the airline industry.

As mentioned in the study, Canadian Airlines International Ltd. has decided to close the Winnipeg base for pilots. For myself, as a pilot involved in aviation in Manitoba since 1973, I believe that this decision is not a good one, both for Manitoba and the airline. I have suggested to the company an alternative plan whereby they maintain a downsized base that would simply handle the Manitoba and Dewline schedules, but have received no answer as yet. When Canadian Airlines was formed, it was hoped that because of Winnipeg’s strategic location in this country that possibly this base would grow. However, it appears that Vancouver and Toronto will be our major pilot bases; even though the company will use up to 650 hotel rooms per month to overnight pilot crews once the base is closed; and even though Canadian Airlines has more originating departures from Winnipeg per week than Air Canada. If there were some way the Manitoba Government officials could help maintain a pilot base in Winnipeg, it would be greatly appreciated by the pilots who will soon have to move or be forced to commute to other bases.

As a pilot who has flown in and out of most of Canada’s major airports, I think that Winnipeg has one of the best and most liked airports in Canada. It has excellent air traffic controllers and it offers a low stress environment due mostly to uncomplicated noise procedures and uncongested traffic situations. The facilities to handle poor weather approaches are adequate and services for snow and ice removal in winter are superior, creating a safe airport environment.

The airports of Northern Manitoba do have some shortcomings, however. Thompson airport has good facilities for poor weather approaches, but only in one direction for landing. Its runway is continually heaving with the perma-frost creating operational problems for Canadian Airlines as to where landing and take-off weight restrictions must be imposed.

Churchill airport is much the same in that only single direction poor weather approach is available, although the paved runway is substantially longer than most in Northern Manitoba and much smoother. I might mention at this point that much has been said about the future of Churchill. Aviation can still help to maintain Churchill; perhaps more promotion of its wildlife (polar bears, whales etc.) as tourist attractions can help to bolster the economy. I also feel that Churchill could have been selected for the base of operations for the Canadian Armed Forces contingency proposed for Rankin Inlet. Its long runway, already in place, could have reduced costs tremendously and stimulated the economy.

I have been informed that some of the Air Traffic Control facilities in Northern Manitoba are being up-graded to improve services and help reduce delays encountered in poor weather. I hope that poor weather approach facilities at The Pas, Flin Flon and other Northern Manitoba airports can be upgraded to increase safety margins and increase successful approaches into these airports.
The Canadian and Air Canada components of CALPA are very concerned with the smaller feeder airlines such as Time Air and Air B.C., buying and operating larger jet aircraft along mainline routes. We are watching the situation carefully and attempting to protect our jobs and prevent a situation where the feeder slowly becomes a competitor. I am concerned myself that, by closing the Winnipeg base and finding expenses rising by having to bring in crews from other bases, the company may eventually give up the northern routes to smaller carriers such as Calm Air. Service may suffer.

I would also like to echo Mr. Kuruluk's sentiment in regards to southbound flying from Winnipeg. I think the problem lies in airline connections and associations. To make a southbound schedule work, such as Denver, Minneapolis etc., the airline would have to have an almost coordinated schedule with a U.S. carrier in order for passengers to connect quickly and cheaply to other destinations. Although 1989/90 was not a banner year for charters to Southern U.S. and Mexico, I believe that there is a strong market for charters in Winnipeg and would hope that Canadian Airlines will continue to pursue this area and promote growth in it.

One fact that I noted in this study was the small percentage of Canadian Airlines employees living and working in Manitoba. In 1978, there were 100 pilots and approximately 150 flight attendants working for Transair in Manitoba. This number has dwindled significantly to approximately 75 flight attendants. I sincerely hope that a successful conclusion can be reached to negotiations between the company and government and airport officials in regards to building a hangar in Winnipeg to stop the decline of employment in Manitoba. If the hangar is built in Winnipeg, it may indeed blossom into an A320 maintenance center, with parts readily available in Minneapolis.

In conclusion, the airline employees that are living and working in Manitoba are happy where they are and would like to continue to stay here. The industry is changing rapidly and will continue to do so to the year 2000. These changes will eventually lead, I believe, to one major airline in Canada and I hope that the Government of Manitoba can aggressively pursue the airlines to continue to base pilots and flight attendants in Winnipeg. The central location of Winnipeg has always been its most attractive feature and allows efficient crew scheduling to points such as Vancouver westbound and Toronto, Ottawa, Montreal eastbound, all within duty limitations for return to base flying. The Northern Manitoba flying to destinations such as Gillam (with the Limestone and Conawapa projects) should remain strong. Hopefully, Churchill's economy will improve and provide traffic demand and profitable runs for Canadian Airlines. As long as good returns are realized, Canadian's presence in Northern Manitoba will continue. That is the bottom line for all airlines - if the economy can strengthen in the 1990s, airline employment numbers will also increase. With privatization of the airlines and shareholders looking for a return on investments, profitability will govern airline decisions in the future.
A USER PERSPECTIVE

Sandy Hopkins*  
Reaction Panelist

Winnipeg has long been known as a transportation hub. In its early years, even before the nation was formed, the confluence of the Red and Assiniboine Rivers made Winnipeg a major trading point for furs. In the late 19th century, Winnipeg again became a focus of transportation with the advent of the Canadian Pacific Railway. Winnipeg ultimately became a destination point for immigrants from Europe and the United States who settled in Western Canada. Indeed, virtually every immigrant to Western Canada travelled through Winnipeg.

With its long time transportation focus, one would assume that Winnipeg's transportation needs would be well served. Unfortunately, such is not the case.

Examples of our transportation problems include a two lane highway as our major road link with the U.S.; terrible connections from the Perimeter Highway to that area of the City housing the majority of our trucking industry; no means whatsoever to rapidly travel across the city; and despite John Heads' comments, the air industry is not immune from those shortfalls. We have but one US carrier offering direct service to only one American city and Air Canada has one flight per day to Chicago. Our only overseas offering is a newly introduced summer only service. We do not have wide body service to any cities in Canada and our air freight capacity is limited.

John did point out, and I agree with him, that the domestic services offered by Air Canada and Canadian Airlines are convenient, frequent and generally on time. Our weakness is predominantly to/from overseas and the United States. There has been considerable effort underway for some time by many people from a variety of organizations and institutions in Winnipeg to improve international connections.

Apparently, we are not alone in our desire to improve air service between Canada and the U.S. A lobby group has formed in the United States which represents twenty-two cities that fervently wish to add international air services. These are generally not the largest American cities like New York or Chicago, but rather places like Denver, Dallas, Baltimore, Phoenix and St. Louis to name five. One of their key objectives is to open the U.S.-Canada Bilateral Air Agreement and negotiate an open skies agreement between our two countries. Whether

*Transportation Consultant and Chairman, Transportation Council, Winnipeg Chamber of Commerce.
or not that is in the best interest of Canada, it is clear that the U.S.-Canada Bilateral Air Agreement requires new thinking as it was negotiated in 1973-74 and has not been opened since then with the exception of adding services to/from Mirabel. It is in the best interest of Canada to:

(1) get the two governments back to the negotiating table

(2) provide communities more influence in determining aviation policy.

To that end, I am attending a meeting later this week in Washington with this lobby group which call themselves USA BIAS, which stands for U.S. Airports for Better International Air Services.

I bring four views to my role today of providing a User Perspective to air transport services:

(1) As an initiator of the Local Airport Authority process in Winnipeg, I am immersed in air transport issues and economic development matters relative to the airport.

(2) As Chairman of the Transportation Council of the Winnipeg Chamber of Commerce, I am responsible for managing the Chamber’s affairs in the transportation industry. Our mandate is as broad as it is succinct - to seek transportation advantage for Winnipeg. Advantage is a relative term driven by market demands which are the collective desires of the users. While many of those desires are passenger oriented, we cannot neglect the needs of those users of air freight services.

(3) As a former marketing executive in the trucking industry for a number of years, I was always concerned about the possibility of losing freight to the airlines. It never occurred, but, frankly, it is still somewhat of a mystery to me why the airlines do not have a greater share of the domestic freight market. Given the geography and demography of Canada, the long haul, time sensitive and high value freight markets should be susceptible to airline marketing initiatives.

(4) On a personal level, I have flown extensively for several years and I have had the pleasure to live in three cities in Canada.

It is appropriate to elaborate on these items.

**Local Airport Authority**

While the concept of a local airport authority is new to Winnipeg, it is far from new overall. Virtually every large airport in the United States is managed by an airport authority and they are in place in several other countries as well. In conducting the research on differing
ownership and management structures for airports that led the federal government to embrace the airport authority system, the most common reason given for favouring management at the local level was the increased opportunity for economic development. Without question, the airport today is the equivalent of the rail station one hundred years ago. Those locales with an efficient, busy airport will prosper more than those locales with an inefficient and/or less busy facility. One need look no further than the concerns expressed by the people of Brandon about the importance of improving air service to stimulate growth to test the validity of the statement.

In our presentation to the City and to the Province to support our efforts to examine the viability of an airport authority, we pointed out that in general terms local airport authorities make sense because they move decision making to the local level where the interests of the community are more evident. Specifically, we felt that it applied in Winnipeg because the airport has just undergone major renovations; it is underutilized; the completed feasibility studies in four Canadian cities clearly stated that it was in the best interest of the community to acquire the airport through the creation of an authority; there is significant developmental opportunity on the airport property and in the surrounding area; and, last but certainly not least, Winnipeg needs economic development activity as highlighted in the Winnipeg 2000 Task Force report and, specifically, we need economic development in the transportation sector as detailed in the report that leads to this conference.

At this early juncture, it is impossible to determine or even guess what impact an authority will have on job creation. Some of the anticipated growth will be within the authority itself, some will be in additional services and amenities for the travelling public and, likely, the greatest benefit will come from businesses that are sensitive to air travel. Those businesses will be able to negotiate terms and support systems that are specific to their needs. Today, that negotiation is frustrated by a centralized system that cannot favour one city over another and is subject to the pressures of national policy. Because a local authority is much closer to community needs and interests, it is in a better position than Transport Canada to respond to the opportunities that present themselves. The greatest value, however, from both community and job creation perspectives is that the authority will actively and aggressively seek new opportunities.

Transportation Council

The Winnipeg Chamber of Commerce has long been a supporter of better international air service. They have a representative on the International Air Committee chaired by Ed Mortens, Chairman of the Winnipeg Business Development Corporation. This committee meets regularly with individuals from the U.S. to try to develop strategies to improve air connections between our two countries. The Chamber was also the catalyst for the local airport authority and is involved in two new initiatives that will over time have a direct bearing on employment in the air industry. The first is the creation of a Special Committee charged with implementing the objectives and recommendations of the Manitoba
Transportation Action Plan. This is particularly important as the group that commissioned the study, TIDAC, is no longer in existence. We are very concerned with air services and employment in the air industry on this committee.

Despite significant growth in air transport jobs in Winnipeg from 1983 to 1989, we are actually falling behind the creation of air transport jobs in Canada as a whole. It is incumbent on all of us to make every effort to reverse that trend.

The second new area for the Chamber is the attempt to establish a transportation research and development centre in Winnipeg. It is our view that a centre of this nature will be beneficial to the country by improving transportation systems and programs and providing a level of coordination that is often missing between the various branches of government. This R&D Centre, the Transport Institute, the transportation industry in Winnipeg, a greater range of technical transportation courses at Red River Community College and possibly a degree level program in logistics here at the U of M will form a true Transportation Centre of Excellence. Properly funded and managed, this R&D centre will possibly be able to "sell" its expertise to other countries or the private sector.

The MTAP objectives for the air industry, as outlined by John Heads in his presentation, are to convince Canadian Airlines to locate a maintenance facility in Winnipeg; have Air Canada increase their commitment to their maintenance operations in Winnipeg; expand our role as a centre for crew assignment and to increase employment at the Gemini airline reservation system. While the objectives are laudable, they may not all be realizable. For instance, Canadian Airlines are attempting to rationalize their existing maintenance and overhaul activities which are currently centered in five different cities. It will be very difficult to convince them that a sixth city is in their best interest. This objective, however, may be more apropos later in the decade. In the case of Gemini, on the positive side, my suggestion is to start with their executive team which is located in Toronto while the work is done here in Winnipeg. One of our first efforts should be to have the Gemini corporate offices relocated to Winnipeg.

We have made a suggestion to the Honourable Doug Lewis, Minister of Transport, to designate Winnipeg as a fourth international air hub to relieve some of the congestion at Pearson International Airport and Vancouver International Airport. We are meeting with the Federal PC Caucus next week to advance that idea further. Any assistance that anyone can offer in this effort will be greatly appreciated.

Air Cargo

It is the view of a number of us that there is a significant opportunity for Winnipeg to become an international air cargo transfer point. A recently completed study stated that some air cargo from the Pacific Rim destined to the Northeastern U.S. could be transferred in Winnipeg for transportation by truck to final destination, thus saving the shipper money.
but not costing additional time as it takes 48 to 72 hours to retrieve a shipment from the major airports in the U.S. That delay is equivalent to the time needed to truck the goods from Winnipeg to New York. We know that this concept is being studied in Edmonton and in North Dakota, but Winnipeg has inherent advantages over those locations. We simply have to move faster than the proponents from Alberta and North Dakota. Over time, we believe that this could translate into several hundred jobs.

**Personal**

I mentioned earlier that I am travelling to Washington later this week for a meeting. There is only one late afternoon flight out of Washington that provides a decent level of service back to Winnipeg. Northwest has a 5:00 p.m. departure that changes planes in Minneapolis arriving in Winnipeg at 8:45 local time. The only other alternatives are to fly to New York, change planes for Toronto and change planes for Winnipeg resulting in twelve hours of travel. There is also the possibility of flying to Chicago, changing planes to Minneapolis and changing again for Winnipeg. This is also a marathon. Fortunately, I reserved the last seat on the nonstop Washington/Minneapolis flight or I would not be back into Winnipeg until the early hours of the morning. Some people attribute this kind of service to deregulation, I disagree. I believe that it is protection of our air markets that has led to this situation and opening them will result in more attractive choices.

**Conclusion**

The Winnipeg Chamber of Commerce is grateful to TIDAC for commissioning the Manitoba Transportation Action Plan to the Year 2000 and the Transport Institute for completing this study, which is without doubt, the most thorough analysis of the transportation industry in Manitoba that we have ever had. The recommendations and objectives are clear, specific and reasonable. We support the finding to the point of striking a Special Committee charged with their implementation.

I have sometimes thought that transportation has been taken for granted in Winnipeg and Manitoba. Few people realize that transportation commands as many jobs in Manitoba as does agriculture. Through studies like the MTAP and other efforts underway at the Institute combined with the activities of the Chamber, the Winnipeg Business Development Corporation and the Winnipeg 2000 Leaders Committee, we have the opportunity to push transportation issues to the forefront where they belong.

The key issues from our point of view are:

1. Completion of the feasibility study for a local airport authority and, if positive, establishment of the authority to assume control. We anticipate that this process will take approximately twenty-four months.
(2) Implementation of the recommendations and objectives of the MTAP where appropriate.

(3) Improved connections with the United States and Europe.

We all have a part to play in this drama. As difficult as it may be, we will at times have to submerge our company loyalties for the greater benefit of the industry, the city and the province. There is a lot of work to be done at committee level in several organizations if we are to keep the transportation industry as a vibrant contributor to our economy. It is incumbent on all of us to get involved. We no longer can afford to let someone else carry the load. If you earn your living in transportation, then I challenge you to put something back. Help us to improve our lot and in the process you will be helping to improve the quality of life in this fair City and Province.
The slower rate of economic growth, which has been experienced in virtually all industrially advanced nations during the last half of the twentieth century, is frequently linked to the expansion of the service sector. As employment in the service sector increases, the rate of economic growth slows, because the sectors of the economy that earn foreign exchange account for a reduced proportion of total output. Some services, however, are able to generate export earnings that can sustain economic growth. As a result, these traded services, such as transportation, tourism, and banking, have received increasing attention in international commercial policy. The signing of the Canada-U.S. Free Trade Agreement in 1988 went further than any other previous treaty to liberalize the trade in services. Subsequently, this Agreement has formed the basis for the negotiation of new rules to govern the international trade of services and is one of the centrepieces of the Uruguay round of the GATT.\(^1\)

The recognition that "tradeable" services can form the basis for greater employment and economic growth has caused governments to re-examine their policies on these businesses. In many cases, new policies have been adopted that promote the expansion of tradeable services and improve their competitive position. In addition, governments have commissioned periodic reviews to study emerging trends and to develop plans for action to strengthen and enhance employment in these export-related enterprises. This is the impetus for the study that was recently completed by the Transport Institute: \textit{Manitoba Transportation Action Plan to the Year 2000}.

The purpose of this paper is to present the key findings of the Action Plan, as they relate to the motor carrier industry in Manitoba. In addition, material is presented to address points raised by the Action Plan that are the subject of related research that has been conducted by the University of Manitoba Transport Institute (UMTI).

The discussion begins with an overview of employment in the motor carrier industry and its importance to the Manitoba economy. This is followed by a discussion of Manitoba as a location for the export of extra-provincial trucking services.\(^2\) The paper concludes with a

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\(^{1}\text{Professional Associate, University of Manitoba Transport Institute.}\)

\(^{2}\text{GATT is the General Agreement on Tariffs and Trade.}\)

\(^{2}\text{Extra-provincial is defined as interprovincial within Canada and international (transborder) trucking between Canada and the United States.}\)
review of the key recommendations that have been put forward by the Action Plan to achieve employment targets for the year 2000.

1.0 The Motor Carrier Industry in Manitoba

The expansion of the motor carrier industry in the post World War II era is one of the most remarkable success stories of our time. Following the war, trucking represented only 10 percent of the economic activity in the Canadian freight market (as measured by gross operating expenses). By 1970, the motor carrier industry accounted for over half of all the transportation activity and has continued to dominate the movement of freight in Canada. These data, which are presented in Figure 1, document the dramatic rise of the motor carrier industry during the past four decades.

Figure 1: Modal Shares of the Freight Market Based on Gross Operating Expenses

3 Other sorts of measures such as revenue, tonnage and tonne kilometre data are not available on a comparable basis for all modes.
The rise of the motor carrier industry has been mirrored by a relative decline in the economic importance of rail way transport. While Manitoba has been less affected by the modal shift from rail to truck, than most transportation centres in Canada, employment in the trucking industry now equals the level of employment by the rail mode in Manitoba.\textsuperscript{4} More important, however, the employment trends that have been established during the past four decades, seem certain to continue until the end of the century.

The Action Plan documents the export status of Manitoba's motor carrier industry. Although there are problems associated with the measurement of this data, it is clear that the Manitoba economy receives significant stimulus from the export of for-hire trucking services. In 1989, the trucking industry in Manitoba is estimated to have provided 7,400 direct jobs in the province, plus employment for 1,700 broker operators, for a total of 9,100 jobs. This equals 6.7 percent of the combined total of 136,000 trucking employees and broker operators in Canada. Considering that Manitoba has only 4.1 percent of the Canadian population, the "export" component of the motor carrier industry is 6.7% - 4.1% = 2.6%. Expressed another way, the export of for-hire trucking services generated 3,600 person-years of direct employment in Manitoba during 1989.

The "export" status of Manitoba's for-hire trucking industry can be attributed to the number of interprovincial motor carriers that are headquartered in Manitoba. Nine of the thirteen largest Canadian interprovincial motor carriers have their head offices located in the province. A breakdown of the for-hire trucking employment by category is available for 1987. These data, which are presented in Table 1, compare the employment in Manitoba with the total in Canada. Using the proportion of population (4.1%) as a benchmark, the share of employment in every category is higher than would be justified by the provincial population. In particular, the employment classified as 1) equipment maintenance, and 2) terminal and platform, is between two and three times the population share. From an income perspective, however, the disproportionate share of sales and administration employment in the interprovincial trucking industry may be more significant. These are the relatively higher paying jobs that are associated more closely with the operations of a business's headquarters.\textsuperscript{5}

\textsuperscript{4}Manitoba, which represents 4.1 percent of the Canadian population, has 13.2 percent of the railway employment in Canada.

\textsuperscript{5}It is worth noting that over the whole composite of industrial activities, average weekly earnings in Manitoba are 8.5 percent less than the Canadian average, while in transportation services, average weekly earnings in Manitoba are 2.3 percent above the Canadian average.
Table 1: For-hire Trucking Employment by Categories - 1987

<table>
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<tr>
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<th>Manitoba</th>
<th>Canada</th>
<th>Manitoba share - %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Drivers</td>
<td>4,121</td>
<td>59,872</td>
<td>6.9</td>
</tr>
<tr>
<td>Equipment maintenance</td>
<td>526</td>
<td>6,749</td>
<td>7.8</td>
</tr>
<tr>
<td>Terminal and platform</td>
<td>1,888</td>
<td>14,268</td>
<td>13.2</td>
</tr>
<tr>
<td>Sales and administration</td>
<td>1,339</td>
<td>20,115</td>
<td>6.7</td>
</tr>
<tr>
<td><strong>Total (a)</strong></td>
<td>8,116</td>
<td>102,178</td>
<td>7.9</td>
</tr>
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(a) Includes small category of "other" workers and therefore the four individual categories do not add up to the totals.

Source: Action Plan

Another method of viewing the importance of interprovincial trucking is to examine the breakdown of operating revenues by market served. Motor carrier firms in Manitoba accounted for 8.6 percent of Canada's total operating revenues in 1987. These data, which are presented in Table 2, present revenues in Manitoba and Canada by market segment. The proportion of operating revenues in local and off-highway trucking, and the intraprovincial market, are less than Manitoba's share of the Canadian population. In international trucking (Canada-U.S.), Manitoba has 5.4 percent of the Canadian market share, which is slightly better than its proportion of population. The interprovincial share of operating revenues, however, at 21 percent of the Canadian total, is five times the level warranted solely by Manitoba's local market. These data reveal that it is the interprovincial trucking segment of the motor carrier industry that is the engine for growth in the province's road transport services.

In addition to for-hire trucking, employment in the motor carrier industry is provided by private trucking and bus transport. The material collected on private trucking by Statistics Canada includes only firms that operated fifteen or more commercial vehicles. In 1987, 2,320 firms across Canada met this criteria, of which 79, or 3.4 percent, were located in Manitoba. A total of 84,166 employees were reported with 2,608, or 3.1 percent in Manitoba. Total employment in private trucking equals approximately 72 percent of the employment in for-hire trucking in Canada, but this is considered to underestimate its importance.
Table 2: Trucking Operating Revenues ($million) - 1987

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<th></th>
<th>Manitoba</th>
<th>Canada</th>
<th>Manitoba share - %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local and off-highway</td>
<td>44.5</td>
<td>1,437</td>
<td>3.1</td>
</tr>
<tr>
<td>Intra-provincial</td>
<td>159.1</td>
<td>3,985</td>
<td>4.0</td>
</tr>
<tr>
<td>Interprovincial</td>
<td>526.5</td>
<td>2,502</td>
<td>21.0</td>
</tr>
<tr>
<td>International</td>
<td>76.3</td>
<td>1,421</td>
<td>5.4</td>
</tr>
<tr>
<td>Total</td>
<td>806.4</td>
<td>9,345</td>
<td>8.6</td>
</tr>
</tbody>
</table>

Source: Action Plan

The Manitoba share of private trucking employment (3.1%) is below the proportion of provincial population and contrasts sharply with the province's role in interprovincial for-hire trucking. As with all transportation employment data, however, care must be taken in interpreting these figures. Statistics on private trucking are notoriously vague and inaccurate. Manitoba citizens who work in private trucking for firms located out of the province may not be included in the provincial total.

Bus service is widely available throughout Manitoba. The three main operators are Greyhound Lines of Canada, Grey Goose Bus Lines, and the Fehr Group. In addition, a number of smaller companies operate between one and five buses in the province. The main operators offer scheduled intra-provincial passenger and freight service while Greyhound provides scheduled interprovincial service. Charter services throughout North America are also offered by the Manitoba-based bus lines. The Canadian bus industry provided employment for 3,500 persons in 1989. Of this total, approximately 500 persons, or 14 percent, were employed in Manitoba.

1.1 Concerns and Issues of the Motor Carrier Industry

The Action Plan identifies a number of issues and concerns that have been voiced by the motor carrier industry. It notes, however, that steps have been taken to ameliorate many of these problems. For example, Auto Pac insurance coverage has been modified to remove the minimum deductible for damage to trucking equipment, Worker's Compensation has introduced an "experience rating" system to reflect a company's premium claim, and the payroll tax has been pro-rated to exempt the out-of-province earnings of line-haul drivers.
The issues that remain unresolved are primarily those which relate to structural change in the motor carrier industry.\(^6\)

For the individual firm, the problem of structural change is economic survival. Those who gain from structural change expand and prosper, while those who lose may ultimately be forced to exit the industry. At the firm level, it does not matter whether its business operates intra-provincially, extra-provincially, or both. Unless, of course, the structural change is limited to only one segment of the firm's market.

For the province, the threat posed by structural change is a function of the market segment. Traded services have a "multiplier effect" that generates additional employment as the income earned out-of-province enters successive rounds of spending within the province. While changes in the structure of "non-traded" services can have implications for trade sectors e.g., agriculture, because the benefits of greater efficiency are spread throughout the economy, they may not alter total employment. Consequently, the implications for structural change in the extra-provincial trucking industry differ from that in the intra-provincial trucking sector. Structural change in the intra-provincial trucking industry leads to a redistribution of income among the members of the industry and between the providers and users of the service. Structural change in the extra-provincial trucking industry has an impact on the trade of services and consequently a multiplier effect on total employment. The remainder of this paper will focus on the potential for structural change in the extra-provincial trucking industry.

2.0 Manitoba Location for Extra-Provincial Trucking

The establishment of the large extra-provincial carriers in Manitoba goes back to the 1950s. Winnipeg was the major rail transportation centre of western Canada - as, indeed it still is, and this formed a precedent for the location of the emerging trucking mode. Winnipeg was the natural place to break bulk and consolidate shipments for other western Canadian destinations. In the technology of the 1950s, truck transport could not compete with rail over long distances, even if the markets in Calgary and Edmonton were sufficiently large to absorb full truck load shipments of goods from eastern Canada. Moreover, the Manitoba government had negotiated a considerable number of trucking reciprocity agreements with neighbouring states and provinces to avoid duplication of registration fees charged on trucks. This reinforced the locational advantages of the province.

The reasons for the continued location of company headquarters in Manitoba are less strong. The geographic location in the centre of the country is convenient for operations and facilitates communications, but as the centre of population has shifted west, and trucks

\(^6\)This excludes issues that were identified in the Action Plan that relate to highway infrastructure, restrictions on weights and dimensions and safety.
have increased in size, distribution centres in Winnipeg have become less important. Nevertheless, Manitoba still has a reputation for its quality of labour and the work ethic is very much respected. Moreover, many of the larger trucking firms have social and family ties that make Manitoba a desirable location. Changes in economic flows and the costs of operating in Manitoba, however, are causing some carriers to question the wisdom of retaining their headquarters in this province.

There are at least three major influences that have been identified as factors that might lead to structural change in the extra-provincial trucking industry and the relocation of some head office activities from the province of Manitoba. They are 1) deregulation under the Motor Vehicle Carrier Act (MVTA, 1987), 2) the Canada-U.S. Free Trade Agreement (FTA, 1988), and, 3) differences in the level of local and national taxation. The impacts of these regulatory and economic changes are complex and to some degree inter-related. It is impossible to undertake a complete analysis of their effects in the space available. Consequently, the treatment of these issues is more descriptive than analytical.

2.1 Deregulation

The implementation of the MVTA has been very uneven across Canada. Some provinces, such as Alberta and Quebec, effectively deregulated their entry and exit provisions almost immediately following the proclamation of the MVTA. Other provinces, such as Ontario, began a slow phase-in approach then proceeded to a rapid deregulation following legal challenges. Manitoba and New Brunswick, are frequently cited as having the most discretionary approach to deregulation. The province of Manitoba has embraced a policy of gradual implementation that extends over the entire phase-in period permitted under the MVTA.

The impacts of deregulation have been more evident in the truck load (TL) sector of the industry than the less-than-truckload (LTL) segment. This can be explained by differences in the costs of entry. The TL segment has a relatively low entry capital threshold, whereas the capital cost of establishing the necessary terminals for a LTL operation is quite substantial. In addition, actions taken by carriers to consolidate their positions in the LTL market prior to the MVTA have made further rationalization, or entry, less attractive (National Transportation, 1989).

The absence of new entrants in the LTL segment does not mean that these carriers have been unaffected by deregulation. It is estimated that about two thirds of out-bound traffic from central Canada is LTL, while inbound traffic is 80 percent truck load. LTL carriers who rely on truck load traffic to balance their return movements to central Canada are facing greater competition from new TL operators. In addition, some shippers are taking advantage of opportunities to utilize increased competition in the TL segment to undertake consolidation strategies that circumvent the LTL carriers.

41
The other important impact of deregulation is to increase competition from U.S.-based carriers in the international sector of the industry. Prior to the MVTA, U.S. carriers were more likely to inter-line with Canadian carriers than to go through the process of applying for operating authorities in Canada. The recent border point protests by Canadian owner-operators against U.S.-based TL carriers in Quebec and Ontario are a reaction to the increased presence of U.S. trucks since these markets were deregulated. While other "issues" were identified, it is clear that Canadian TL carriers blame deregulation as a principal cause of the increased competition from U.S. carriers.\(^7\)

In Manitoba, the "go slow" approach to implementing the MVTA has delayed the competition from U.S.-based carriers in the local market, but as of January 1, 1993, the public interest test is scheduled to expire and "fitness" will become the sole standard for licensing extra-provincial truck undertakings.\(^8\)

It is not apparent that the effects of deregulation will cause a transfer of trucking services out of the province of Manitoba. Thus far, the consolidations (CF Kingsway Inc. acquired by Federal Industries) and the major closures (Route Canada) and market abandonments in western Canada (Alltrans Express Division of TNT Canada Inc.) have strengthened rather than weakened Manitoba’s position in extra-provincial trucking. Nevertheless, two of the largest U.S. LTL carriers (Yellow Freight System Inc., and Consolidated Freightways Corporation) have established offices in Winnipeg, as well as other parts of Canada. If the expansion of these operations does occur, it is unlikely that they will include significant transfers of head office positions to Winnipeg.

2.2 Canada-U.S. Free Trade Agreement

There is a common perception that the Canada-U.S. Free Trade Agreement will tend to re-orient the east-west flow of goods within Canada towards a more north-south trading pattern with the United States. This view stems from the belief that Canada’s attempt to foster east-west trade through a policy of tariff and non-tariff barriers has been successful. According to this hypothesis, if the artificial barriers to trade are dismantled and Canadian and U.S. regulations are harmonized, the incentive for east-west trade will be greatly diminished.

Objective data suggest that impacts of the FTA may have been exaggerated, or at the minimum, in the case of the motor carrier industry, concerns about the potential shift from

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\(^7\)Canadian carriers also blame inequities in Canadian taxation relative to U.S. taxation and the lack of sufficient enforcement of Canadian cabotage. These issues are discussed in a later section of the paper.

\(^8\)This is subject to review by the Minister of Transport to determine whether a more extended period of transition is warranted.
east-west to north-south trade have been exaggerated. In Figure 2, the extra-provincial freight movements by Canadian domiciled carriers are presented for the year 1987. These data provide a good estimate of east-west trade because immigration and customs laws in Canada prohibit U.S. carriers from moving freight with both Canadian origin and destination. North-south trade, however, is underestimated because these data do not include shipments by American carriers.

An examination of the data presented in Figure 2 reveals that over half of Ontario’s extra-provincial truck shipments (by Canadian carriers) are destined for the United States, another third of its total out-of-province movements are to Quebec and Atlantic Canada, leaving only 9 percent of its total shipments for the "east-west" trade to the Prairies and British Columbia. As one moves further east, the role of western Canada in east-west trade declines further. Only 4 percent of Quebec’s extra-provincial truck shipments were destined for western Canada, while only 1 percent of those from Atlantic Canada moved this far west.

Looking at east-west trade from western Canada’s perspective, shipments to Ontario, Quebec and Atlantic Canada decline rapidly as one moves west of Manitoba. Whereas 44 percent of Manitoba’s shipments move to eastern Canada, in Saskatchewan, it is 6 percent, in Alberta, 8 percent and in British Columbia, 4 percent. To the extent that part of Manitoba’s truck movements are likely trans-shipments from the rest of western Canada, Manitoba’s trade is likely overstated, while east-west movements from west of Manitoba are understated. Nevertheless, these data present a picture that is contrary to the general perception of east-west trade. It is important to note that these data were recorded two years prior to the Canada-U.S. FTA. This suggests that fears about a radical reorientation of Canada’s east-west truck movements are essentially unfounded.

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9These restrictions are commonly referred to as cabotage rights, and apply symmetrically to Canadian-based carriers when they operate within the U.S. market.

10It is interesting to note the role of Alberta as a hub of interregional trade by truck in western Canada. Moreover, that the U.S. accounts for less than 15 percent of any province’s truck shipments, except for British Columbia (44 percent).
Figure 2  Distribution of Out-of-Province Shipments by Canadian For-Hire Trucking, 1987

British Columbia

Alberta

Saskatchewan

Manitoba

Source: Statistics Canada, Trucking in Canada, Catalogue No. 53-222
While no radical shifts in east-west trade are likely to occur because of the FTA, there is no doubt that market forces are going to alter some freight moves. For example, LTL carriers employ a number of refrigerated trucks for east-west moves because they can carry red meats (beef and pork) east, then reverse the refrigeration unit to heat the van and return with a load of LTL freight. The reduction of U.S. tariffs and meat inspection barriers is likely to encourage more of Western Canada's livestock products to flow south instead of east. Given the large number of refrigerated trucks that return empty to the U.S. after dropping loads of fresh fruits and vegetables in western Canada, there is more than enough capacity to facilitate this trade. As a consequence, the imbalance of westbound freight from Central Canada could be aggravated.¹¹

The Canada-U.S. FTA would have had more potential to induce a structural change in the Canadian trucking industry, and to threaten the Manitoba location of head offices, if transportation had been included in the agreement. As long as "cabotage restrictions" prohibit U.S. carriers from handling domestic freight in Canada, Winnipeg will remain a convenient location to stage east-west trucking operations. As noted in the Action Plan, however, future negotiations of the FTA prior to the year 2000 could lead to the inclusion of transportation services. If this occurs, the relocation of head office facilities to more southerly jurisdictions could become an attractive alternative to Manitoba.

2.3 Taxation and Competition

Personal taxes, corporate taxes, sales taxes, payroll taxes, fuel taxes and property taxes are assessed at different rates amongst the provinces and between Canada and the United States. As a result, some jurisdictions are viewed as "lower cost" environments that favour business location.

Taxation rates are not one of Manitoba's most attractive features. Both personal and corporate tax rates are higher in Manitoba than elsewhere in western Canada, while Manitoba is the only western province to apply a payroll tax.¹² It is interesting to note that Alberta, which is considered to be a "low tax" province, is frequently mentioned as a possible site for the relocation of extra-provincial trucking headquarters in Canada.

Lower tax rates in the United States are also cited as a reason for considering the physical relocation of Canadian trucking operations that participate in the transborder market.

¹¹ Other changes such as the payment of the "Crow Benefit" directly to farmers could spur the production of livestock in western Canada and more than accommodate any expansion of north-south trade in red meats encouraged by the FTA. Thus other policy changes might offset the effect of the FTA on east-bound loads.

¹² Apparently, Ontario and Quebec also have a payroll tax.
Canadian motor carriers complain that their U.S. counterparts have lower equipment costs (because there is no federal sales tax) and a more favourable depreciation allowance. In Canada, it requires approximately 13 years to fully depreciate trucking equipment that U.S. carriers can write off in just 4 years. In addition to these tax provisions that lower the cost of capital, other U.S. taxes (corporate, diesel fuel, etc.) are generally less than in Canada.13

Differences in the level of taxation between Canada and the U.S. did not attract much attention when the value of the Canadian dollar varied between $US 0.75 and $US 0.80. Since January 1988, however, the Canadian dollar has appreciated about 20 percent in terms of the U.S. currency and now varies between $US 0.84 and $US 0.86. Like all exports, the 20 percent increase in the cost of Canadian trucking services, which has occurred because of the higher dollar, has reduced demand. It has also focused attention on the differences in costs, such as taxation, that make U.S. carriers more competitive.

This threat of relocation is limited to the international segment of the extra-provincial trucking business, but the threat is certainly real. Already CP Express has set up a U.S.-based subsidiary to undertake transborder operations between Canada and the United States. Other extra-provincial trucking firms that were interviewed during 1989 have plans to do the same (Prentice, Warkentine, and Lawrence, 1989). The trigger point for a major exodus from Canada, however, appears to be when the Canadian dollar reaches $US 0.87 in value. Whether this will occur depends primarily on the success that the Canadian government has in containing inflation.

3.0 Employment in the Motor Carrier Industry in The Year 2000

The forecasts of the Action Plan are based on a 12 percent increase in the size of the highway transport sector by the year 2000. In terms of employment, the motor carrier industry in Canada is projected to provide 136,000 person-years of work annually at the turn of the century.

Manitoba's share of the forecasted growth is set out in three scenarios in Table 3.14 The first scenario, "No progress", assumes that employment declines in an absolute and a relative sense. The second scenario, "Constant share", assumes that the province is able to maintain its current share of national employment in the motor carrier industry. The third scenario,

13Care should be taken with this generalization. Corporate tax rates and fuel taxes vary from state to state in the United States. There may be some locations with tax rates that are higher than some parts of Canada.

14The employment data presented in Table 3 do not include broker operators, who work on contract for the trucking industry, but are not technically employees. In 1989, this group numbered 1,700 in Manitoba.
"Target 2000", assumes an increase in the absolute size of the work force employed in trucking, as well as a larger share of the total employment in Canada.

Table 3: Employment in Highway Transport

<table>
<thead>
<tr>
<th></th>
<th>Manitoba ('000)</th>
<th>All others ('000)</th>
<th>Total ('000)</th>
<th>Total in Canada ('000)</th>
<th>Manitoba share (percent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actual 1989</td>
<td>3.7</td>
<td>4.2</td>
<td>7.9</td>
<td>121.1</td>
<td>6.5</td>
</tr>
<tr>
<td>Forecasts 2000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>&quot;No Progress&quot;</td>
<td>3.2</td>
<td>4.5</td>
<td>7.7</td>
<td>136.0</td>
<td>5.7</td>
</tr>
<tr>
<td>&quot;Constant Share&quot;</td>
<td>4.3</td>
<td>4.5</td>
<td>8.8</td>
<td>136.0</td>
<td>6.5</td>
</tr>
<tr>
<td>&quot;Target 2000&quot;</td>
<td>4.9</td>
<td>4.5</td>
<td>9.4</td>
<td>136.0</td>
<td>6.9</td>
</tr>
</tbody>
</table>

The differences in these forecast scenarios hinge on the growth of the nine large extra-provincial trucking firms that are headquartered in Manitoba. In 1989, these nine carriers accounted for 3,700 jobs in Manitoba. The other 4,200 jobs were provided by intra-provincial motor carriers; household movers; large carriers headquartered out-of-province; all other interprovincial and international carriers; and, the 500 intercity bus industry employees. Under all scenarios, employment (excluding the nine large extra-provincial carriers) is assumed to increase marginally to 4,500 jobs by the year 2000. This is a net increase of only 300 jobs.

The differences in the three scenarios for the nine large carriers relate to forecast impacts of deregulation and free trade on the structure of the industry, and the success that Manitoba has in maintaining its current head office employment, or in attracting an additional headquarters to the province. Under the "Constant Share" scenario, the existing nine carriers would increase their employment by 600 jobs to a total of 4,300 in the year 2000. In order to reach the "Target 2000" scenario, Manitoba must acquire an additional large carrier that adds another 600 jobs to total employment.

The "Target 2000" scenario of 1,200 new jobs for the large extra-provincial carriers is set as the target of the Action Plan. In order to reach this objective, Manitoba must present the most attractive location for the headquarters of the large carriers that will remain following an expected round of consolidations prior to the year 2000.

The penalty for failure to set the right "economic environment" could be high. The Action Plan warns that a level of employment in the year 2000 that is below the current figure in 1989 is a possibility (no progress scenario), if private sector firms are not convinced that it is in their economic interest to activities in the province.

3.1 **Key Action Plan Recommendations**

The key recommendations of the Action Plan that relate to the issue of structural change are listed below for the three levels of government.

**Federal Government**

* ensure that the tax burden on trucking is not out of line with U.S. jurisdictions in respect of income tax rates, depreciation write-offs of equipment, and fuel taxes.

**Provincial Government**

* give exemption from the payroll tax on head office operations of trucking companies in Manitoba.
* continue the high priority presently given to providing four lanes on the remaining 51 kilometres of Highway #75 between Winnipeg and the U.S. border.
* market the advantages offered to the highway transport industry by the central location of Manitoba in terms of convenience in logistics of truck operations, excellent air services for business travel, optimal communications in the centre of the Canadian time bands and a highly productive work force.
* utilize, as in many development initiatives, federal and provincial, political and financial inducements to achieve the objectives specified.

**City of Winnipeg**

* should apply the recently increased national limits on weights and dimensions to the main truck routes within the city.
4.0 Concluding Remarks

Forecasting is not an occupation for the fainthearted; especially when the topic is the motor carrier industry in Manitoba. The combined effects of deregulation, free trade, tax reform (or lack thereof) and a fluctuating Canada-U.S. dollar exchange rate can alter freight movements in a myriad of ways, force unpredictable industry consolidations, and change the relative competitive position of Manitoba as a base for extra-provincial trucking. The number of potential outcomes is mind-boggling. The only forecast that is entirely safe is that the future will not resemble the past.

The Action Plan has given us a set of likely outcomes. These outcomes include an additional variable that is not determined by totally uncontrolled forces, namely the policies of government. Governments can choose whether to adopt policies that ensure that Manitoba remains a desirable location for the centralization and export of trucking services.

McCracken (1985) notes, however, that while forecasting may be integral to good planning, there are two rules to be remembered when dealing with decision makers. First, "decisions do not require forecasts". One might even go so far as to say, that the majority of decisions are made without the benefit of any formal forecast, either because there is no time, or because there has been no investment made to develop a forecasting capability. Second, "forecasts do not lead to decisions". In its review of earlier planning documents, the Action Plan notes that "Some of the recommendations have been implemented and some are still with us unimplemented today" (Heads, p.18). Do industry, labour and government support the recommendations of the Action Plan? Are the decision makers in Manitoba listening? Perhaps our reaction panel will give us some insight on the prospects of achieving the targets set out for the year 2000.

REFERENCES


A MOTOR CARRIER PERSPECTIVE

Clarence Yackel
Reaction Panelist

I welcome this opportunity to address you today primarily in my role as Immediate Past President of the Manitoba Trucking Association. My two year term has given me the privilege of obtaining a broader view of the industry than is possible when one concentrates on one’s own salaried position. The interchange between provincial trucking associations has, I think, allowed me to touch the pulse of the industry, have an appreciation of the national picture and maintain my focus on what is happening in Manitoba: where we may be headed and what might be required to inject some correctional lines into the process.

First of all, let me say that the completion of the Manitoba Transportation Action Plan to the Year 2000 was a necessary procedure in today’s transportation environment and I commend both the sponsors and the researchers. But, inevitably, it does not go far enough. If it did, we would have our blueprint for the future and would not need a conference such as this.

For my part, I would like to look back at the last ten years before I probe into the next decade. We have to know where we have been, consider what mistakes we have made, and understand what is already on the horizon before we can logically peek into the future.

Everyone in transportation is aware that the past ten years have been a horrendous experience. Starting with the recession in the early 1980s, we were thrust into deregulation without sufficient consideration of the consequences. We followed the lead of the U.S. blindly and made little effort to learn from the mistakes of our southern friends. All of this was in the name of competition. The attitude was "to hell with the down sides and the shipper is king." I have no problem with the shipper being the king; but if his servants are in shambles, he is not very effective.

We thought we had low rates in 1982, but what we have today have spawned the labour difficulties we experienced in the past few weeks. The industry survived the recession by adjusting its labour and productivity levels. Why the Japanese got so much credit for lowering their production costs in response to increased U.S. tariffs is beyond me. The truck transportation industry in Canada was a leader in cutting costs to survive.

*Immediate Past President, Manitoba Trucking Association and Regional Manager, Porter Trucking Ltd.
We had not recovered from the recession when deregulation hit and there was very little excess fat to cut to meet the old and the new competition. Some very honoured Canadian names fell by the wayside and, believe me, more will go.

Where are we now? You have a lean truck transportation industry, under constant besiege by shippers to cut rates, with perhaps still too many carriers chasing too little freight, compounded by the reality of ultra competition from U.S. carriers. In addition, and notwithstanding the valiant efforts of the Manitoba Motor Transport Board, new competitors are constantly coming on board.

In these opening comments, I have tried to indicate why the industry is currently not healthy either in morale or profits. We never did ask for the protection of economic regulation forever because we were too realistic for that; but we were married to a system for a long time and we needed a period of time to adjust. On a national basis, we did not get that and the shipping public will eventually suffer because of this.

If we thought we had problems in the past, the future does not look too much better. Yes, we achieved some equipment productivity gains, but we gave them all away in the form of lower rates, so we have no cushion to meet the challenges facing us.

Most businesses will have to contend with onerous social legislation and some will have environment regulations to meet. Transportation, and especially truck transportation, will have the double impact. Right now, we do not know if we will be able to use diesel fuel in five years time, but we do know we will have to contend with pay equity, employment equity, new rules for Workers' Compensation, more ominous human rights legislation, and so on. The focus of business is moving away from the profit motive to living with legislation and regulation, and all of this in a "deregulated" trucking industry.

We will have increased taxes to contribute to the betterment of the environment and, if the railways get their way, there will be increased highway user taxes so that trucks in their words, "pay their own way."

Although this may not be the forum to enter into any full scale debate on rail/truck equity, I would suggest that the railways might do better to concentrate on marketing and cost reduction, and also direct their energies to obtaining tax relief. That makes more sense than trying to add more costs to trucking - after all our crown corporation should be well aware of the costs of running a trucking arm. They tried for years and lost millions before the federal government relieved them of it. I believe the CP trucking arm is relatively successful, but it is still likely that it does not produce a better return on investment than Canada Savings Bonds.

The question in the trucking industry is how to survive long enough to see the 21st century. First, we need a sense of encouragement. There has been enough talk from government. Trucking is to Manitoba what potash is to Saskatchewan and oil is to Alberta. I hasten to
congratulate the Manitoba government in extending the RTAC weights to other than inter-provincial routes. However, they have been ineffective in getting us tax relief. I acknowledge that the present government has reduced the payroll tax for us, but we are still not competitive with other jurisdictions except the richest one in Canada, Ontario. We still have high corporate tax and low capital cost allowances compared to the U.S. We still have high fuel and labour costs and our equipment costs more.

These inequities may be a little difficult to correct, but what about creating a friendly environment. Are trucking companies wanted in this province or not? Winnipeg is 60% of Manitoba in terms of population and Winnipeg is blessed with having a large trucking industry based here, but it is not made to feel welcome. For eight years, we have tried to equalize weights allowed in the province and the city. In spite of recent discussions, we feel no closer now to achieving this goal because the city has a problem with money. The province takes the view that it gives the City block funding, that the amount will not be increased, and that the City must determine its own financial priorities.

In the 1990s, that is not good enough. Unless this is changed, Manitoba should not waste too much energy in considering "transportation developments to the year 2000". The province is integrally dependent on what happens in Winnipeg as far as transportation is concerned and the province cannot divorce itself from this fact. I would suggest that, if we are to achieve the objectives outlined in Dr. Heads' study, then we should re-think this block funding deal. Manitoba has much to gain from the transportation industry, but the City of Winnipeg should not be the sole beneficiary of the migraine. The province may have many headaches, but it also has more revenue resources than the City. If I was to make one major recommendation to assist Manitoba to maintain its primary position in the transportation network, then it would be that they take back responsibility for maintaining the truck route system and bridge infrastructures in Winnipeg. Bridges such as the one on South Main and Provencher are a disgrace.

In the trucking industry, we can expect to continue to be faced with unrealistic shipper demands. We cannot keep clientele on service alone. There is always someone offering a lower price and a multitude of shippers waiting to take them up on it. At this time, I see no relief from this. We have to lower our costs vis-a-vis the Americans in transborder trucking. In domestic freight, the road ahead will also continue to be rocky. However, in Manitoba, government can create a friendly environment and encourage industry in a multitude of ways. I suggest we do just that - otherwise, companies will be forced to locate where they are more welcome.
A FURTHER MOTOR CARRIER PERSPECTIVE

Gerald Reimer*
Reaction Panelist

I thought that I would start with a few extracts from accident reports to give us a little levity. I am not sure these are all factual, but they are humorous:

The guy was all over the road. I had to swerve a number of times before I hit him.

I pulled away from the side of the road, glanced at my mother-in-law and headed over the embankment.

I had been driving for forty years when I fell asleep at the wheel and had the accident.

I was on my way to the doctor with rear-end trouble when my universal joint gave way.

The trucking industry has already been dealt with in a number of ways. Dr. Prentice outlined the names of the major national carriers that are headquartered here. In Manitoba, we are blessed with a lot of relatively large and medium-sized carriers. They are here out of all proportion to our population and the goods coming in and out of Manitoba.

Other major carriers that are operating in Manitoba, but are not headquartered here are Canadian Pacific Transport, Day and Ross, Canadian Freightways, etc. Some regional carriers that serve Manitoba (some of them headquartered here and some headquartered elsewhere) are Porter (the company that Mr. Yackel works with), Kindersley, Ridsdale, South East Transport, Lakehead Freightways, and Trimac.

Then, we have a large trucking industry that is made up of primarily small carriers. Although small, these carriers provide a very vital service between Winnipeg, primarily, and all the other communities in Manitoba. Even within that segment, they vary a great deal in size. I believe the largest one would be Gardewine North which is part of Paul’s group who provide services between Winnipeg and Northern Manitoba. There are many small carriers - Gladstone, Morris, Ashern, Portage, Prairie Freighters, etc. These carriers provide an important service both in terms of serving their local areas to and from Winnipeg, and

*President, Manitoba Trucking Association and Executive Vice-President, Reimer Express Enterprises Ltd.
providing an inter-line service linking with the major national carriers in Winnipeg for freight coming from and going to other places in Canada and the United States. In addition, of course, we have the international U.S. based carriers that serve Manitoba such as Consolidated Freightways, Hyman and Yellow Freight.

As Dr. Prentice has indicated, one of the things that Manitoba is fortunate in is that the trucking industry is a large exporter of its services. For example, in the Reimer Express group of companies, we transport shipments from Syracuse, New York to Toronto, from Montreal to London, Ontario, and between Vancouver and Calgary. Although none of that freight ever sees Manitoba, some of the work related to that freight is done here in Manitoba - namely, the accounting, the administrative and the computer services relating to those shipments. That is the primary way in which the trucking industry is an exporter of services from Manitoba. The services that we provide here are not simply related to the freight moving in and out of Manitoba. There are many services performed here connected to freight that never sees Manitoba. That, of course, is not unique to the trucking industry. The same thing happens with Air Canada. If somebody uses Air Canada for a flight between Toronto and Europe, the accounting work is done in Winnipeg.

Unfortunately, Manitobans do not realize the number of jobs that the transportation sector provides to Manitoba which are not linked to the actual physical movement of people or freight between Manitoba and other points. Our media fail to report positively about the numbers of transportation jobs in existence in Manitoba. A lot of positive things are happening in the transportation sector that Manitobans never hear about and this can be very discouraging.

One of the matters that Dr. Prentice raised was the figures that Statistics Canada produced on east-west imbalance. The trucking industry still considers east to west to be the headhaul. In pure tons, there may be more freight moving eastbound, but it is of a very different nature. The freight that is moving westbound is finished products, manufactured products and high-value products. To a much larger degree, the eastbound freight is things like seed, fresh meat, frozen meat, etc. While there is a lot of weight in the eastbound freight, there is not nearly as much value. But certainly in terms of pricing policies, the east to west movement is still considered the headhaul in the trucking industry.

As already mentioned, our industry is faced with many problems; in simple terms, not enough business, the rates are too low, and the costs are too high. Deregulation has caused a tremendous loss to the Canadian trucking industry, a loss of valuable assets in operating authorities. Yesterday, I was looking at the operating authority of one of our companies. This is the Ontario authority and this is the way it reads:
PART A

Name of the Carrier:
General Freight: (number)
To and From: All points in Ontario
To and From: The Ontario-U.S. border
To and From: The Ontario-Manitoba border
To and From: The Ontario-Quebec border

PART B

General Freight: (same number)
To and From: All points in Ontario

Those of you who have been connected with the industry for a little while will know that fifteen years ago that piece of paper might have been worth 10-15 million dollars. Today, it is worth about $10.00. That is what the deregulation process has done.

When a farmer has a field, and the government decides to put highway #75 through it, they might have to expropriate it, but they pay him for it. In our industry, the government took away the value of an asset we had and we have not yet been compensated. I have been working on this situation a long time, and I will not give up on it for a long time yet. In principle, I cannot be against deregulation. As a businessman, philosophically, I praise deregulation. However, we spent many years and millions of dollars in building up this operating authority asset through purchase or through an expensive legal process. Surely, as the farmer must be compensated for his land, the trucking industry has to be compensated for the loss of value of that authority.

In recent weeks, the government has had to focus, by reason of road blockades by owner-operators in certain parts of the country, on the differences in the costs faced by Canadian and U.S. carriers. For many years, the trucking industry tried to talk to the government in a polite way, but did not get very much action. It is amazing how much action you get at the end of a gun. That is what has been happening recently. Although I certainly do not agree with the method used, it did get a lot of attention. Now, some of the differences that make U.S. costs for carriers considerably lower than Canadian costs are starting to be understood - differences in depreciation rates, excise tax, etc. I think that, as an industry, we have to keep pressing that issue. If we are going to be exposed to the U.S. carriers through the deregulation process, we also need to enjoy some of the cost advantages that U.S. based carriers have. We know that we can never have everything the same on both sides of the border, but in some areas we have to try to more closely match our costs with those of the U.S. in order to retain a viable trucking industry in Canada, and especially in Manitoba.
Also, we need to do things that the government cannot do for us. We need to work with our labour force to improve our productivity, that is to lower our unit cost. I did not say to necessarily lower wage rates.

Most of what I have said pertains to large, national carriers. Rural Manitoba truckers also face difficulties. Perhaps, nothing would help them as much as a booming farm economy.

What about securing advantages for Manitoba in transportation? I am sure that all of us would like to see even more companies in the transportation industry locate in Winnipeg. We have some natural advantages, already referred to by Dr. Prentice. We need to broadcast them more - our excellent geographical location, our excellent time-zone location, and the quality of life that we enjoy in Manitoba. Again, Manitobans have to quit being negative, talking about mosquitoes and cold weather, and talk more about things such as the proximity of beaches and resorts to Winnipeg.

We need to create a climate to attract more transportation and transportation-related industries to Manitoba. That is going to require lower telecommunications cost. We cannot expect transportation industries which are so dependent upon communications to pay more in Manitoba than elsewhere. I think that this is presently being addressed, and, before long, we will probably have Unitel competing in the long-distance field in Canada with Telecom Canada companies. That should be advantageous for Manitoba and Canada.

A lot of times perception is more important than fact. Sometimes, we have given people the idea that Manitoba does not like business, and that is very bad. Therefore, we need to turn that around. I do not believe in handing out money to industry, but let us make them feel welcome in Manitoba. We should tell them that we understand that industry provides jobs, and that we need them here. Removing the payroll tax is a small step in the right direction - that is also being presently addressed.
Transportation without doubt is the most important infrastructure of any country. In today’s environment where globalization of world markets is influenced by trading blocks and free trade agreements, an efficient means of transportation of goods and people is key to the economic stability of any country. With continentalism on the horizon for the North American continent, a north-south flow of transportation will replace the preponderance of the east-west flow of goods. We, in organized labour, ask what direction transportation will take in Canada and particularly in Manitoba by year 2000 and beyond.

Labour is always concerned with the cost of transportation and who will pay for the safe, economic means of transportation that is required by Canada and Manitoba. Will the shipper/manufacturer pay? Will the carrier pay? Will the worker pay? Will the consumer pay? Will the governments pay? I believe these are very important questions that must be debated by Canadians and Manitobans in a deregulated environment.

Because of the geographic nature of our country, if we are not careful, Canadian manufacturers close to the American border may, under pressures of continentalism and free trade, rely on a different transportation system. Within ten years we may see a very different means of transportation than we have today. The American influence is very real.

Canadian workers within trucking companies, as well as the owner-operators, are presently experiencing very real pressures. The deregulation of transportation included a built-in mechanism for the Provincial Motor Transport Boards to allow easy entry of new trucking companies into an already bloated industry. The cost to new entrants is relatively low and as such, places the established carriers at a disadvantage. This is why organized labour has said that we must intellectually deal with transportation as a whole and re-evaluate such unfair rules as easy entry. This conference has to be commended because it gives us, as Manitobans, a vehicle to discuss this very important matter. The economic pressures and the uncertainties of deregulation will continue, particularly as U.S. truckers expand their operations into Canada and influence the Canadian scene. As a result, it is my opinion that Winnipeg will eventually lose its pre-eminence as a truck transportation hub.

*Regional Vice-President, Canadian Brotherhood of Railway, Transport and General Workers. Mr. Cerilli's remarks as an invited speaker in the rail session of the Conference appear later. The Transport Institute is particularly grateful to Mr. Cerilli for agreeing at very short notice also to take part in the highway session, replacing a speaker who was unable to attend due to family bereavement.
Different reports have indicated the cost of repairs to the present deteriorating road infrastructure across Canada, including bridges and highways, will be anywhere from 10 billion to 13 billion dollars in the next ten years. This cost will have to be shared by all of the parties relying on transportation. As well, trucking companies will be obligated under legislation to operate in a safe manner. These same truck companies operating under these road and safety conditions will be saddled with additional costs, particularly as roads and highways worsen. The damage to trailers, units and trucks will increase maintenance costs and cause faster replacements. Someone will have to pay. We in organized labour will put it to you now; it is not going to be the workers, at least not alone.

It was mentioned earlier that the American experience since 1980 should be evaluated. I agree. Transportation in the United States from 1980 to 1988 experienced a shake-out period. As deregulation was introduced in the United States, there was an influx of truck companies and owner-operators commencing operation, to the point that the number of carriers exceeded requirements. As the shake-out progressed, bad publicity regarding defective trucks operating on U.S. highways, jeopardizing public safety, caused the bottom to fall out and a great number of companies and owner-operators went bankrupt. The difficulty that confronted the trucking industry in the United States resulted in large scale job losses in unionized operations. Teamsters research showed that the majority of transport workers, displaced as a result of deregulation and free trade, did not move to other jobs within the trucking industry.

Canadian research compiled by the Teamsters, Transportation Communications Union and the Canadian Brotherhood of Railway Transport and General Workers illustrated that in Ontario alone, there are 20% fewer union members in trucking since deregulation.

The skills and experience of these workers has been lost forever. The same U.S. Teamsters research showed that by 1985 the United States deregulated industry had more than 20,000 new entrants; however, their economic life span was very short lived and 70% failed. The "free for all" in the United States included cut-throat and predatory pricing which caused 99 unionized Class 1 & 2 freight carriers, with more than 6 billion dollars in revenues to go down the drain. Approximately half of these carriers employed five hundred or more workers and a total of 134,000 employees were affected.

Canada did not fully evaluate all of these factors. In fact, Canada forgot about the level playing field during the deregulation debate. You will recall the level playing field argument used by those supporting Free Trade. The debate on transportation however, was dropped from the Free Trade Agreement half way into negotiations. Who knows what the negotiations would have produced for transportation regarding a level playing field. The present unbalanced playing field for truckers between Canada and their United States counterparts includes fuel costs, tax exemptions, depreciation periods, as well as other factors related to the trucking industry. These real factors were either deliberately ignored, or our Canadian negotiators innocently failed to recognize the pressures Canadian truck companies
would face as American truckers expanded in a north-south movement of goods and services.

In labour's view, the shake-out period in Canada has not even started. We have seen traces of this uncertainty, particularly when the so-called independent operators began their blockade at the United States-Canadian border in Southern Ontario. We have also had personal experience with major truck companies in Canada closing their doors, for example, Transport Route Canada and Kabe International Transport Ltd. Closures are going to increase and become worse, particularly with the economic pressures placed on companies and owner-operators. Truck companies will also go through internal shake-outs to find a survival level of expense with regard to employees and owner-operators.

In the United States, as previously mentioned, many owner-operators and truck companies were taken out of the system. If you followed the American scene, the excessive number of carriers were all chasing the same amount of freight. As in Canada, there's only so much freight. Once the shake-out levels off, the surviving truck companies in Canada will be very few. Those left will continue to fight for their share of Canadian freight as well as fight for the import/export transborder freight that the American truck companies do not want and are unable to handle.

You may recall that CN Express Trucking (Transport Route Canada) had 3,000 workers. The number for Kabe International is unknown. The traumatic experience of job loss for those workers is very serious. Research shows that some of them have yet to find another job because of their age. Those workers have lost continued C.P.P. and private pension contributions, life insurance, dental plans and other important benefits.

An attempt was made to salvage the operation prior to the CN sale and after. My own involvement was to cooperate with CN and the new owners to facilitate a smooth transition. The work force also contributed in an effort to salvage the operation. This team effort did not work because of the predetermined decision by the government and CN to get out of trucking. With the recent Kabe International closure, some employees were picked up by another local Winnipeg company because of the contractual nature the two companies had with the customers involved.

Where is Manitoba trucking going? Where is Canadian trucking going? Legislation will call for enforced rules on safety. Varying reports show that one in three or one in four trucks should not be on the road because of serious defects. The public will call for enforced highway safety. In this regard, in a deregulated industry, trucking companies will bypass and put off repairs till after the next trip sacrificing safety in order to keep expenses down. I suggest that ignoring safety will be the wrong way to go.

As previously mentioned, the cost of repairs and down-time will place economic pressures on owner-operators, who like trucking companies say that they cannot afford the down-time and the extensive cost of repairs required. Cut-throating of rates will create an environment
that carriers and shipper/manufacturers will regret. The auction type rates the shipper/manufacturers are presently enjoying that relate to the early 1980s may not last and they will eventually have to absorb some of the cost.

What does the future hold for the trucking industry in Manitoba and in Canada? I believe that this will depend on what the Federal and Provincial governments eventually put into place to establish a level playing field for Canadian and U.S. truckers. There appears to be legitimacy in the call for changes in immigration laws and the policing of sabotage. Legislation on depreciation allowances on tractors and trailers, in line with the United States, a review of the Federal excise tax on diesel fuel and improving safety standards and enforcements, and ensuring that the National Safety Code is applied uniformly throughout Canada. These are very important issues that must be addressed. We must develop a comprehensive plan calling for input from all the partners in the industry. Ten years may be too long.

Transportation in Manitoba to the year 2000 and beyond will have drastically changed because of the north-south flow of goods particularly with the possibility of a free trade agreement between Mexico and the United States. The number of factories and other means of production that are being relocated to the Mexican/U.S. border will adversely affect Canadian trucking companies. In the transportation of goods north, American truckers will want to operate beyond their present terminals in Canada and will demand backhaul legislation from Canada. The U.S. will be arguing for a level playing field of their own. Canada may want Canadian content.

Organized labour during this period of ongoing deregulation and free trade is prepared to play a significant role to ensure that the Canadian Transport Industry survives and governments protect Canadian workers. We are not prepared to pay the bill. Organized labour doors are always open to governments and the business communities, providing we know the rules ahead of time and providing we are invited to walk in the front door.
A USER PERSPECTIVE - COMPETING IN A GLOBAL ECONOMY

John Lysak
Reaction Panelist

First, I would like to express my appreciation to Dr. Heads for inviting me here today to participate in this Conference as we attempt to focus on transportation economics in Manitoba. I hope to be able to provide some insight from a manufacturer's prospective into some of the changing forces that determine how we conduct our business today and in the future.

Canada is moving increasingly toward a global market - this, of course, includes Manitoba. A global economy is a market-driven economy in which the customers reign supreme. Customer satisfaction becomes the objective, and all shipper activities broadly defined to include purchasing, production planning, inventory control, warehousing, distribution and transportation, are oriented to meet that objective.

To illustrate this point further, we only need to look at today's consumer markets. The average consumer is likely well educated, independent-minded, fairly sophisticated and in possession of considerable disposable income. Generally speaking, most consumer products are technically similar and priced accordingly. In a global market, the competition determines the price of a product. Therefore, it is critical that all goods and services meet and exceed today's consumer expectations, otherwise we will continue to see an ongoing inflow of imported goods and services available to the consumer. In a global economy, there are many choices - we can no longer assume the position that our customers will continue to purchase goods and services from a domestic source. A global economy is much too competitive to support this kind of loyalty which was evident in the 60s and early 70s for consumers to have durable goods on order for two or three months and sometimes even longer. The recession of the 80s has certainly eliminated those kinds of supply imbalances.

In a competitive environment where the manufacturer can no longer adjust the price of a product due to market conditions, quality perception of the product is most likely the underlying factor whether a sale is made or lost. In order to remain viable under these market conditions, it is of paramount importance for the manufacturer to produce products that are "best in class" and at the same time strive to drive the production costs down and adopt a continuous improvement philosophy to satisfy customer requirements and improve production efficiencies. Today's manufacturing sector can no longer support huge warehouse inventories and material handling processes that do not in any way enhance or add value to the product. Product excellence and production efficiency is the only road to long term success.

*Transportation Manager, Versatile Farm Equipment.
We only need to look at the automotive industry to illustrate this point, whereby the Japanese gained significant market share at the expense of the North American auto industry. The relentless pursuit of product excellence and manufacturing efficiencies produced the success and market dominance for the Japanese that is evident today in so many imported products.

It is interesting to note that the Japanese did not invent the Just-In-Time (JIT) System. This philosophy was pioneered by an American, namely Dr. Deming. In the early 1950s, Dr. Deming approached the North American auto industry stating the need to improve quality and manufacturing efficiencies in order to reduce costs and retain market share. Needless to say, the North American auto industry was not interested and quite likely not ready for any radical manufacturing changes, especially when sales were increasing and outside competition was limited.

The Japanese, on the other hand, took full advantage of Dr. Deming’s teachings and the JIT philosophies to dramatically improve the quality of their products and manufacturing efficiencies in order to become a world class producer of superior quality products at highly competitive prices. During the recession of the 80s, it became abundantly clear for many North American manufacturers that alternate manufacturing methods had to be implemented in order to survive in a market-driven economy. A number of manufacturing plants have adopted advanced manufacturing techniques which focus on team concept, JIT System, Statistical Process Control (SPC), cellular manufacturing concepts and many other processes for the primary objective of improving quality and reducing operating costs. Some companies have even gone to the extent of combining managerial and office functions with the shop floor area to focus on team concept for improved efficiencies and allow workers to have more control over their own work.

Some people are under the misconception that JIT System only applies to a manufacturing operation or it is a system where certain goods need to be available in a timely manner to support a manufacturing or assembly activity. The true meaning of JIT according to Coopers & Lybrand Consultants Group is defined as "an operating philosophy which has as its basic objective the elimination of waste". Undoubtedly, waste does exist in many businesses and likely in many different forms; however, when waste is controlled, operating costs are likely to be reduced and profits improve.

Market dominance by fewer players is a global evolution as profits continue to be compressed in a highly competitive market environment, rationalization will continue to take place on an ongoing basis in order to retain market share. This has been evident in virtually every industry, automotive, agricultural manufacturing, food processing, transportation and many others.

During a period of declining profits, many industries tend to focus and identify competition as the main contributing factor for their unfavourable performance when, in fact, the main root cause is often operating costs. In a competitive market-driven economy, costs must be
controlled, otherwise the weaknesses are readily exposed and inefficiencies attract competition.

The economic growth and development of a region has a direct impact and influence on the goods and services required to support those activities in the specific area. A secondary service industry like transportation is totally dependent upon the service needs of that particular community. We cannot afford to build a barrier around the transportation industry of this province or any other industry simply because the economic conditions of this province are subject to constant change.

How does one decide if the Province of Manitoba has the right transportation infrastructure in place. The users are one of the main stakeholders in this process because ultimately they purchase the services - they are the customers that we talked about earlier. We can perhaps delay the inevitable further, but the outside economic forces and regulatory reform in other jurisdictions are too great to pursue this course of action long term, particularly in the extra-provincial market.

The transportation industry is not unlike any other industry. The same basic principles apply, mainly quality of service and competitive price are a user’s benchmark in purchasing transportation requirements. Transportation, like many other industries, is going through a difficult transition where operating costs are increasing and profits are being compressed due to various forces sometimes beyond a carrier’s control. This could include capacity imbalance, competitive market areas and others but, most likely, the common enemy is monetary controls in the form of taxation and high interest rates. The total input costs of a particular industry determines the ability of that same industry to compete effectively in the domestic or foreign markets.

Finally, all levels of government must take a more positive role in this province to stimulate economic growth and development. Both business and consumer confidence has been greatly undermined, due to the tremendous burden of taxation that is being placed on all citizens of this province.

If spending costs by all levels of government are not brought under control, not only will there be a continued exodus of young people leaving the province to pursue career opportunities elsewhere, but there is a significant concern that established businesses may be forced to leave the province because of prohibitive tax structures.
AN APPLICANT'S PERSPECTIVE

Robert Gabor
Reaction Panelist

I would like to present my paper in two parts:

(1) to deal with a number of points set out in the paper by Barry Prentice; and

(2) to deal with issues of deregulation and what steps must be taken by the different levels of government as well as by the motor carriers themselves in order to prosper in the competitive environment.

My first comments relate to the manner by which statistics are kept in Canada. In the United States, the statistics relating to motor transport are usually found at the Interstate Commerce Commission, more so in the past than now, as well as with the Department of Transportation. In Canada, there seems to be many departments which provide statistics on the motor transport industry.

Statistic Canada is a major source of transport statistics in its book SC53-222 Trucking in Canada. This raw data is often used by other economists and research bodies and any problem in the manner by which the raw data is compiled will affect final results in different research papers. On page 3 of Barry Prentice's paper, there is a reference to the export status of Manitoba's motor industry and the following brief statement:

Although there are problems associated with the measurement of this data, it is clear that the Manitoba economy receives significant stimulus from the export of for hire trucking services.

The problems associated with the measurement of this data are considerable because, as I understand it, the statistics are based upon the headquarters of the trucking companies. So, if a carrier has its headquarters in Manitoba and shifts it to Ontario, only three or four jobs may shift, but according to Statistics Canada, all of the jobs relating to the company then move to Ontario.

I note this because on page 70 of the Action Plan, the author states as follows:

The Manitoba share of Canadian trucking employment increased fairly steadily in the tables from 1977 to 1985; but there was a quantum jump in 1986. It is not clear as to whether or not this was a statistical aberration.

*Transportation Lawyer, Taylor McCaffrey Chapman Sigurdson.
As I understand it, it was not a statistical aberration. It simply relates to the fact that Federal Industries, which owns Canadian Motorways, purchased Direct Transportation System and the Reimer group of companies purchased Inter City Truck Lines Ltd. I do not know how many jobs actually shifted to Manitoba, but the Action Plan refers to it as a "quantum leap". I, therefore, wonder whether using a company's headquarters as the basis of analysis provides a fair evaluation of what is happening to levels of employment in the Manitoba trucking industry.

Consider two facts:

(1) The effects of significant technological change (particularly information processing); and

(2) general economic activity in a province.

A more sophisticated computer system usually results in fewer jobs, unless the data service is centralized in one location. The general economic activity of a province may result in more jobs for the trucking industry (if there is increased activity resulting in more pick-ups and deliveries) or less activity (if there is a slow down in the province's economy). The manner by which statistics are currently compiled do not really take into account the effect of technological change unless you are in the province of the headquarters. Nor do they take into account the general economic activity in the province. Put another way, a company with headquarters in Manitoba could be expanding its operations considerably in all provinces except Manitoba, but according to Statistics Canada, the growth would be attributed to the province of the head office, Manitoba.

**What is the Accuracy of Other Studies?**

I point to a recent study by the Conference Board of Canada called *International Tax Competitiveness of the Canadian for hire trucking industry: An Update*. This study stated that the tax environment for Canadian carriers is competitive to that for American carriers in the United States. It dealt with corporate income tax, capital tax, federal fuel tax and sales tax for Ontario, Illinois and New York.

**Action Plan Recommendations**

The action plan recommendations only deal with what government should be doing and ignore what steps trucking companies must take.

In relation to government consideration, I would recommend the following.
Federal Government

The federal government must realize that a continuation of its existing fiscal and monetary decision will force Canadian carriers to shift a great portion of their operations to the United States. Dr. Prentice’s paper deals with such problems as depreciation of equipment, the value of the Canadian dollar, higher levels of taxation in Canada than in the United States. While there is a brief reference, I believe that one of the most significant differences now between Canada and the United States relates to interest rates. Historically, Canadian interest rates were approximately two points higher than in the United States. Now, they are about five points higher. The GST is anticipated to raise interest rates another one and one quarter to one and one half points. Canadian truckers are going to have an increasingly difficult time to compete with American carriers if there is a difference of seven to nine points in the interest rates, no matter how far the Canadian dollar drops.

Also, there has to be more concern shown for the highway infrastructure, in Canada. RTAC has come up with its proposal for improving the highways of the country and adopting more uniform standards. It seems that every two or three years, the federal government receives a report which proposes this and pays nothing more than lip service. My great fear is that in the current era of fiscal restraint, the federal government may simply shift the burden to the provinces.

There is also great concern over the highway infrastructure in the United States. Recently, the Secretary of Transportation announced that there will be more money going towards highway repair, but with the funds raised on a user-pay basis.

The bottom line is that, if Canada has poor roads and the United States has better roads, carriers will choose to use American roads wherever possible, and this will result in more money staying in the United States. Many Canadian carriers now drive through the United States to service Canadian points on an east/west basis because it is cheaper to do so.

Provincial Government

The study proposes the exemption of the payroll tax on head office operations of trucking companies in Manitoba. I do not believe that this is a realistic proposal because once again it is based on head office operations and discriminates against trucking companies which may have significant staff in Manitoba, but their head offices elsewhere. This proposal would likely only start a tax war with other provinces. I think that the provincial government must continue to reduce and eventually eliminate the payroll tax from all companies as quickly as possible.

I wonder why a carrier would either start or move its head office to Manitoba. Certainly, the major geographic rational is not as significant as before. With the advent of the computers and sophisticated telecommunication systems, the administration can be
performed practically anywhere. According to a recent article in Maclean's magazine, long distance phone rates are approximately eight times higher in Canada than in the United States. Manitoba has extremely high rates of corporate tax, the second highest level for personal income tax in the country and increasing levels for property tax because we are losing our business base. Recently, I received material from the State of Kansas which set out the variety of incentive programs available to trucking companies which want to re-locate in Kansas. To my knowledge, we have no incentive programs for Manitoba.

The amount of money going to highway repair in Manitoba is declining in real numbers, and yet we seem to be able to find money for projects that have little value. I specifically point out the bridge north of Selkirk which cost $21 million and seems to serve no practical purpose. The monies clearly could have been better spent in repairing roads in other parts of the province.

**The City of Winnipeg**

The attitude of the City of Winnipeg is reflected in the following three items:

1. Most of the trucking companies in Winnipeg are located in the west end of the City near Route 90. This is a two lane road and we have been waiting years for an additional two lanes between Inkster Blvd. and the Perimeter Highway. The province has come through with the money and is building the clover-leaf at the intersection of Route 90 and the Perimeter, but I have still not heard of any firm commitment from the City other than that it is in the 1991/1992 budget, but subject to review.

2. The Manitoba Trucking Association has been meeting with the City for over eight years to discuss raising the weight restriction on city streets. I am advised that there is no other major city in Western Canada which has the same low weight restrictions.

3. Finally, we have one city counsellor who wants to restrict trucks from Archibald Street, notwithstanding that Archibald Street was constructed in a specific manner for truck traffic and using alternate routes would cause significant and needless time delay and increased expense for trucking companies and businesses.

**Deregulation**

The meaning of the word "deregulation" is unclear. Many people outside the industry believe it means that there is less regulation in the Canadian trucking industry. If they
believe this, they are sadly mistaken. I am going to treat "deregulation" as meaning an easing of entry control standards.

Of all the provinces, Manitoba has been the last province to ease entry control standards, believing in a "staged transition" approach. Whether this approach has been good depends entirely on the group you are considering and the means of measurement. I do not think that it is possible to say that the approach of the Manitoba Motor Transport Board has been "good or bad" for the trucking industry in Manitoba as a whole.

I believe that the winners from this approach are the largest carriers who hold broad authority because they have been protected in Manitoba while, at the same time, they have had the opportunity to expand their operations in other provinces. At the same time, I believe that Manitoba carriers which did not hold broad authority have had a more difficult time simply because they have been unable to compete for certain freight moving to and from Manitoba. At the same time, I also question whether the shipping and receiving community in Manitoba have received the same competitive rates or different types of service available in other provinces of Canada.

**Proposed Steps for Canadian Motor Carriers**

The circumstances of the ever-changing market and ever-changing product are capable of breaking any business organization if that organization is unprepared for change.¹

The environment for transportation service in Canada is beginning to change and these changes will be accelerated over the next year. Major structural alterations in the Canadian transportation industry will occur in Canada in the next two to three years if the economic climate remains the same: if there is a downturn in the economy, the alterations will be more dramatic and major Canadian carriers will fall by the wayside. One thing is for certain: the "good old days" are gone forever. The new deregulatory environment requires new attitudes, skills and resources. Carriers must analyze their operations more carefully than ever before and develop precise strategic plans for short-term and long-term periods. Carriers must set their goals and allocate resources to achieve those goals to ensure that they will be able to adapt by changing their operations and meeting the needs of shippers and receivers.

The pursuit and achievement of short-term and long-term goals will result in ensured survival, increased growth and, eventually, substantial profit. A carrier's failure to plan will result in operation by reaction, diminished returns and eventual business failure.

¹Alfred P. Sloan, Founder of General Motors Corp.
I believe that, based on the American experience, there are a number of specific steps which Canadian carriers must take in order to survive and/or prosper in the midst of deregulation.

(1) Principles of sound management are more important now than ever, especially in the area of controlling costs and planning (both short-term and long-term).

(2) Canadian carriers will have to put more emphasis into information systems. Among other things, the proper computer systems will assist in determining which freight must be turned down, something which Canadian carriers do not like to do. In addition, there will be increasingly closer computer links between carriers and customers.

(3) There must be greater emphasis on marketing in the future. In the past, the backbone of a Canadian trucking company was operations. Marketing usually consisted of long-standing friendships between the marketing manager of the trucking company and the shipper. This has now changed dramatically. Operations must be a given: there are many different carriers who can provide the same service. The key will be for carriers to convince the customer why their particular trucking company should be selected. At the outset, I believe that rates will be the overriding consideration, but over the long-term other marketing and service considerations will become paramount.

Manitoba trucking companies are run by bright, entrepreneurial people, some of them recognized as the best in the Canadian trucking industry. I have no doubt that they have the ingenuity to compete. I believe that there is also no doubt that they will take the necessary steps to promote their companies, but the determining factor in many instances will be whether the various levels of government of Canada will foster an environment in which they can compete.
RAILWAY TRANSPORT IN MANITOBA: CHALLENGES TO THE YEAR 2000

Marshall E. Rothstein, Q.C.*

The primary subject of this paper is employment in the railway industry in Manitoba and the changes likely to occur over the next decade. This was a principal area examined in the Manitoba Transportation Action Plan to the Year 2000, recently completed by the University of Manitoba Transport Institute, and in preparing this paper, reliance has been placed on material in the Action Plan.

Introduction

As is well known, throughout the period from 1985 to 1987, the Federal Government was developing new legislation which was intended to deregulate or, at least, reregulate the transportation industry. In that period, interest groups - railways, airlines, truckers, shippers, users, labour, other business and provincial and local governments directed their attention to the proposed legislation, advancing by way of submissions to the Federal Government, their views on the changes the Federal Government should adopt in the proposed legislation.

The National Transportation Act, 1987 and the Motor Vehicle Transport Act, 1987 were enacted in late 1987 and came into effect for the most part on January 1, 1988. Thus, by the fall of 1987, the new economic regime for transportation had become defined and attention shifted to how to take advantage of and how to react to the new environment.

It was at this time - the fall of 1987 - that TIDAC commissioned the UMTI to conduct the study culminating in the Manitoba Transportation Action Plan to the Year 2000.

The purpose of the Action Plan was to act as a catalyst and provide a set of guidelines for the transportation industry in Manitoba and the various levels of governments as they faced the opportunities and realities created by the deregulating legislative changes brought into effect by the Federal Government. The purpose was to identify, in a systematic way, Manitoba’s strengths and weaknesses, where we were vulnerable and where we could capitalize as a result of the changes.

A conference such as this is a development of great satisfaction to the members of TIDAC. Obviously, it was our intention that the Action Plan be used and useful. We wanted it to generate interest in and concern for the stabilization and growth of the transportation industry in Winnipeg and Manitoba.

*Transportation Lawyer, Aikins, MacAulay & Thorvaldson, and former Chairman of TIDAC.
As interested and knowledgeable public and private sector representatives meet and discuss the issues outlined in the Action Plan, an environment will be created that will foster initiatives by business and government. That is the object and purpose of the Action Plan, and I am confident that positive results will be realized.

**Railway Labour Statistics**

Let me now turn to the subject matter of the paper - employment in the railway industry in Manitoba and the changes that are likely to occur over the next decade. The Action Plan places some perspectives on the transportation and railway industries in Manitoba. Manitoba's population is about 4 percent of Canada's population. However, Manitoba's percentage of employment in Canada's transport service industry - air, railway and trucking - is over 6 percent. So today, as a Province, we are a net exporter of transportation services. We obviously want that situation to stabilize and improve.

What I said about the transportation industry as a whole can be said about the railway industry with even more emphasis. As compared to Manitoba's population share of 4 percent, our share of employment in the railway industry in Canada is over 13 percent. So it is apparent that Manitoba is a major net exporter of railway services. That is why it is extremely important for us to have a good appreciation of the size, nature and structure of the railway industry in this Province and what changes are likely to occur over the next decade.

By way of background, in 1960, railway employment in Canada was at about 120,000. By 1980, this employment was still in the range of 100,000, but by 1990, it will have declined to about 70,000 - a decline of 42 percent since 1960 and 30 percent in just over the last 10 years.

Why has this occurred:

1. First, technological advances. Railway representatives will be able to speak knowledgeably on this subject.

2. Second, increased truck competition. As trucking load limits increase and as highways are improved, railways are being relegated more and more to the movements of bulk commodities over long distances. What this means in terms of railway employment is that labour intensive work is tending to decline. It also means that the railways, in their effort to compete, must become more efficient - and in terms of railway employment, that translates into reduced crew sizes, elimination of cabooses and other labour saving initiatives.

3. Third, downsizing of the railway plant. We have heard the railways say that 90 percent of their traffic uses only one third of the railway network. So, as the railways
eliminate low density branch lines and industrial spurs and down size their yards, this
turns into lower employment levels for roadway maintenance and train and yard
crews. And the railway representatives will also be able to expand on this subject.

(4) Fourth, cutbacks in railway passenger services. This is a familiar subject because of
the action taken by the Federal Government in January of this year to eliminate a
sizeable portion of VIA Rail operations. And the prospects are that more cutbacks
may occur. Labour representatives will be able to outline in greater detail what has
occurred and what will likely occur in the future.

In Canada, we have come from 120,000 employees in 1960 to 100,000 in 1980; 70,000 in
1990; and the Action Plan forecasts only 50,000 employees in railway services in Canada by
the year 2000 - a further decline of some 20,000 jobs over the next decade.

In Manitoba, we have experienced declines that parallel reductions for all of Canada. In
1960, we had 15,000 railway employees. In 1980 - 13,000. In 1990, we will have only about
9,000. Overall, we have maintained a 12-13 percent share of Canada’s railway employment.
But as railway employment inevitably reduces, even maintaining our share will result in a loss
of railway jobs in Manitoba. The Action Plan forecasts that, even if its target is achieved,
Manitoba’s railway employment will decline to about 7,000 by the year 2000.

While we cannot and would not want to turn the clock back - it is legitimate for Manitoba
to strive to maintain and increase its share of Canada’s railway employment. To attempt to
achieve this objective, we have to look more closely at the railways to see where
opportunities exist and what should be done to capitalize on them.

Manitoba’s railway employment of 9,600 in 1989 was broken down as follows:

<table>
<thead>
<tr>
<th>Employees</th>
<th>%</th>
</tr>
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<tbody>
<tr>
<td>CN</td>
<td>6,200</td>
</tr>
<tr>
<td>CP</td>
<td>2,900</td>
</tr>
<tr>
<td>VIA</td>
<td>500</td>
</tr>
<tr>
<td>TOTAL</td>
<td>9,600</td>
</tr>
</tbody>
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Let me deal first with VIA Rail. With the January 1990 cutbacks, 1990 employment for VIA
in Manitoba has been reduced by some 200 jobs - now down to about 300. And the Federal
Government has told us that it is going to investigate further cutbacks in remote service over
the current year. A portion of Manitoba’s VIA employees are train and on-board service
crews for Manitoba service. However, a number of VIA’s Manitoba employees are involved
in transcontinental on-board train service and maintenance.

Two forces are at work here - VIA downsizing and VIA restructuring. Should VIA downsize
further, Manitoba stands to lose employment in the work force that is both tied and not tied
to Manitoba. Should VIA reduce remote service to northern Manitoba or should there be a further reduction of transcontinental rail service through Manitoba, there could be a shift of on-board train service crews and maintenance employees to locations where more service is being provided.

If these services largely remain as at present, there is a reasonable likelihood that Manitoba will continue as a maintenance centre and on-board train service crews will likely continue to be located here. However, these are political determinations, and it is not clear that we can influence that decision-making process by arguing for the need for continued VIA employment in Manitoba.

Next, CN will be discussed. CN had about 6,200 jobs in Manitoba in 1989 or about two-thirds of the total railway employment in the Province. About half of these jobs relate to transportation in the Manitoba area, including train crews, running repairs and customer services. The other half consist of about 500 administrative jobs and 2,600 jobs at the Transcona Shops. The Transcona Shops are the major CN backshopping facility for locomotives and cars in Canada. At these Shops, continuously welded rail and related track material is also produced. The administrative and Transcona jobs largely constitute exports of transportation equipment and services from Manitoba. They are not tied to the provision of transportation services as such in Manitoba.

We are fortunate that CN has chosen Manitoba as the location for so many of its national functions. However, a major force acting on CN employment in Manitoba is downsizing. With technological improvements, the need to economize due to competitive pressures and potential reductions in track mileages with abandonments, it is likely that CN employment will decrease over the next decade. Manitoba will participate in that reduction.

What we must avoid is a transfer of CN jobs to other centres because Manitoba has not been sufficiently responsive to CN to keep the jobs here. Today, the Transcona Shops are not likely to be abandoned for other locations. But it is essential that CN be encouraged to continue to centralize equipment maintenance at Transcona rather than choosing other options. This would enable Manitoba at least to offset part of the inevitable job losses due to technological improvements and downsizing. Similarly, CN's grain marketing headquarters and other administrative jobs located in Manitoba must be encouraged to stay. As long as the grain industry is located largely in Winnipeg and Transcona remains, there is a reasonable likelihood that many of these jobs will remain. However, constant efforts must be made to ensure that there are benefits for CN in maintaining such jobs in Manitoba.

Thirdly, CP Rail will be looked at. CP Rail has about 2,900 employees in Manitoba. About half are employed in operations and running repairs. The other half consist of 400 administrative jobs, including the grain office, 1,000 jobs related to heavy car repairs and rail work, and a few other jobs. Thus, about half of CP's Manitoba employment is not tied to Manitoba.
CP will be impacted in a manner similar to CN in terms of competition and technological advances and reductions in track miles and that will place downward pressure on CP employment generally and in Manitoba specifically.

The Action Plan indicates that Manitoba must attempt to retain the CP administrative jobs now located here. In addition, the Plan suggests that, as CP's heavy car maintenance functions are consolidated, Manitoba should convince CP to locate the consolidated facility in this Province. The Action Plan notes that CP has not expressed the intention to consolidate to date, but U.S. and CN experience suggest that such consolidation is a serious likelihood. It is an opportunity that Manitoba must aggressively pursue because, with consolidation, the status quo cannot be maintained. We either lose jobs or gain them. We must take steps to gain them.

The Future

What can be done to achieve the objectives of maintaining and expanding railway functions in Manitoba? The railways have expressed concerns in the areas of taxation. In respect of the level of income tax, the Manitoba Government has reduced provincial tax rates over the last year. However, we are still higher than other provinces with whom we are in competition. While a reduction of taxes to the levels of those provinces would be unlikely, there must be constant pressure on the Province so that it will be ever mindful of the importance of being competitive in the area of income taxation.

The payroll tax is an obvious irritant. The Province has also taken steps to alleviate this burden. However, this tax creates a specific disincentive for increased employment in Manitoba and is one that requires primary attention.

The railways have also complained about the level of workers compensation contributions and the ease with which employees may qualify for benefits, the level of fuel taxes in this Province and the level of property taxes. Again, Manitoba must recognize that it is in competition with other provinces for railway employment, and its approach to all types of taxation must be with an eye to what competing provinces are doing.

The type of changes that will produce the best results will be those that will create an incentive for the railways to maintain employment in Manitoba. Elimination of the payroll tax would be a top priority.

Another concern to the railways is declining rail volume in and out of Manitoba and the projection that it will decline further over the next decade. To the extent that trucks or other modes capture traffic because of real lower costs, this is a trend that cannot be reversed. However, the railways complain that they are bearing the full costs of their roadways, including excessive property taxes and fuel taxes, as compared to truckers who they say do not pay proportionately for the use of highways and roads. Shippers will
inevitably opt for the lowest cost mode of transportation. What is essential is to ensure that the railways and truckers each pay for the real costs of the resources provided to them by the public - so that competition between the modes will be on a level playing field and so that the railways will have the opportunity of retaining or expanding that business where they have the true economic advantage.

This is not only a Manitoba problem, it is a problem for all provinces and the Federal Government.

But, as a Province, we must recognize that if rail volumes in and out of Manitoba decline, the railways will have less incentive to maintain employment in Manitoba. At least, we should attempt to ensure that that decline in rail volume does not occur because of discriminatory treatment of railways as compared to the trucking mode in respect of infrastructure costs.

While fair tax treatment and proper sharing of infrastructure costs are important components, ultimately, the railways will maintain and expand their functions in Manitoba if there is an economic reason for them to do so.

Generally, Manitoba’s location is attractive because it is in the centre of the country. Most of the locomotive and car types used by the railways regularly pass through Manitoba. We have a reasonable cost of living as compared to other provinces and cities - especially those who are our strongest competitors.

Air transportation to and from Manitoba is as convenient as anywhere in the country. Computers and modern technology make distance irrelevant for the purposes of communication. We have a good quality of life to offer - except for a week or two in January!

Others can identify other natural advantages Manitoba has, and I encourage them to do so.

To ensure that we do not inadvertently let railway employment and investment slip through our fingers, the public and private sectors in Manitoba must maintain a constant dialogue with the railways. It is no different than any supplier maintaining contact with his customers. Maintaining a dialogue will ensure an understanding of concerns and issues facing the railways and will help to recognize those that can and must be responded to quickly and effectively.

I stress that such dialogue should, to the extent possible, be carried on not only by governments, but by the private sector as well - through the Chamber of Commerce and other business organizations and through organized labour. It may be that governments would be more responsive if railway concerns were expressed by business and labour leaders - those who are the suppliers of goods, services and labour to the railways.
A broad basis of support for legitimate railway requests may itself be of assistance in achieving the goals for which we are striving. I recognize that such dialogue now takes place to a degree, but systematic and regular communications is essential and must be promoted.

Finally, I believe it is important that our educational institutions direct their attention to training Manitobans so that they will be prepared to take on the railway jobs that technological advances are today making more sophisticated. The universities and community colleges should be in constant communication with the railways to ascertain what skills the railways require from their work force.

Close communication between these educational institutions and the railways will help the educational institutions graduate students in relevant skills with the highest possible standards. Possibly, at one time, education was less important for railway employees, but in the 1990s, with the technological changes taking place ever more rapidly, the railways will require highly trained, versatile and competent employees.

If Manitoba’s educational institutions can meet that requirement, we can provide another important incentive for railways to maintain a significant presence in Manitoba - a competent labour pool with training resources close at hand.

Conclusion

The Action Plan tells us that it is inevitable that railway employment will decline in Canada and in Manitoba. While to some extent this decline will have to be taken up by employment in other areas – aircraft manufacturing and maintenance, for example – we must not give up on the railways. In terms of railway employment, Manitoba’s objective must be to maintain and improve our share of Canada’s railway employment. This means making Manitoba an attractive location for the railway industry and especially for those railway functions that provide railway goods and services to other parts of the railway systems. It is in the interest of business, labour and government in Manitoba that we retain a strong railway industry in this Province, and all of us must be aggressive and vigilant in attempting to achieve that objective.
A CN RAIL PERSPECTIVE

Doug Duncan
Reaction Panelist

The task of developing a transportation action plan to the year 2000 is a formidable one. I would like to commend John Heads and those associated with the report on its quality and insight. We worked fairly closely with John to ensure that the report reflects our best assessments of what can be expected for employment in Manitoba.

At the beginning of the executive summary, we are clearly focused on two major problems in job creation in transportation services.

Firstly, railway employment is declining in Manitoba as it is throughout Canada.

Secondly, Manitoba has only a small representation in the manufacture of automobiles and automobile parts and accessories.

The report has projected a decline of some 30 percent in rail employment in Manitoba from the 1989 level of 9,700 jobs by the year 2000. I believe that it is very important that we understand why this job decline may take place and more particularly, what the railways face in Canada today.

I will focus my comments on five areas: CN’s financial performance; the National Transportation Act of 1987; competition with the U.S. railroads; competition with trucking; and some policy issues.

This table, which is taken from CN’s 1989 annual report, summarizes what has been happening in our corporation.

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<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>Revenues ($mn)</td>
<td>4,203</td>
<td>4,674</td>
<td>4,785</td>
<td>4,874</td>
<td>5,017</td>
</tr>
<tr>
<td>Net Income ($mn)</td>
<td>206</td>
<td>283</td>
<td>121</td>
<td>(86)</td>
<td>118</td>
</tr>
<tr>
<td>Return on Investment (%)</td>
<td>8.4</td>
<td>10.3</td>
<td>7.9</td>
<td>4.6</td>
<td>7.2</td>
</tr>
<tr>
<td>Debt Ratio (%)</td>
<td>35.3</td>
<td>37.4</td>
<td>48.6</td>
<td>52.8</td>
<td>48.1</td>
</tr>
<tr>
<td>Employees (no.)</td>
<td>40,934</td>
<td>43,933</td>
<td>50,862</td>
<td>56,715</td>
<td>61,124</td>
</tr>
</tbody>
</table>

*Regional Manager, Planning and Research Services, Prairie Region, CN Rail.

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Revenues have dropped from $5 billion in 1985 to $4.2 billion in 1989. This can partially be attributed to the disposal of many of our non-rail entities such as CN Route, hotels, Terra Transport and our telephone companies. However, if you look at the revenue from CN Rail, we see revenues hovering around the $3.7 billion level from 1985 through 1988, followed by a substantial drop in 1989. As can be seen from the freight revenue per ton mile statistic, we have been unable to achieve pricing gains on our traffic over the past several years.

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue $ million</th>
<th>Freight Revenue Billion</th>
<th>Freight Revenue Per Ton Mile cents</th>
</tr>
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<tbody>
<tr>
<td>1985</td>
<td>3,769</td>
<td>91.6</td>
<td>4.11</td>
</tr>
<tr>
<td>1986</td>
<td>3,669</td>
<td>94.2</td>
<td>3.89</td>
</tr>
<tr>
<td>1987</td>
<td>3,732</td>
<td>101.7</td>
<td>3.67</td>
</tr>
<tr>
<td>1988</td>
<td>3,792</td>
<td>104.5</td>
<td>3.63</td>
</tr>
<tr>
<td>1989</td>
<td>3,528</td>
<td>96.3</td>
<td>3.66</td>
</tr>
</tbody>
</table>

The corporation's net income increased to a high of $283 million in 1988 but dropped to $206 million in 1989 and is forecast below $100 million in 1990. However, our debt ratio has steadily decreased from 52.8 percent in 1986 to 35.3 percent in 1989. This is attributable primarily to the disposal of subsidiary operations. Real estate, the CN Tower and CN explorations are basically the only non-rail enterprises left. Our capital expenditures have been reduced from over $700 million in 1985 to $371 million in 1990 and are not forecast to substantially increase in the next several years. Some of the reduced expenditure has been replaced by capital leases. Needless to say, we have been exercising stringent financial control in CN over the past five years.

We are all aware that the economy will be flat over the next five years. At a 5 percent inflation rate, we are facing annual operating cost increases exceeding $150 million per annum. Major productivity improvements and downsizing are required to generate a healthy financial result. Unless a major turnaround occurs, there is no doubt that the forecasted decline in railway employment will materialize over the next ten years.

The advent of confidential contracts has been the most important and positive provision in the 1987 National Transportation Act. CN continues to increase the amount of traffic carried under confidential contract and I believe that it would be fair to say that the shipping community has benefitted substantially from the implementation of the confidential contract process.
On the regulatory side, the railways are still severely encumbered in their ability to react to needed change. The pressure felt most acutely by railways in the coming decade will be pressure to adapt to the needs of their customers. Railways are adaptable; more adaptable than is often credited, but they carry burdens which render them less responsive than you, or we, might desire.

Historically, Canadians have expected railways to bind the nation together, secure the foundations of economic development, serve every region of the country, provide well-paid and stable jobs in small towns and villages, and haul the freight.

Railways were once the dominant mode of freight transport in Canada. Today, they have less than a third of the national freight market. They were once the essential mode of transport in all regions and all markets. Today, their presence in two provinces is history, and their presence in some markets a memory. They were once driven by the tides of nation building. Today, they are driven by the needs of customers, who in turn are driven by the changes of global markets.

Railways remain of critical importance to our core industries and to our export economy. But a railway is a living business - not an artifact - and it is as dependent for survival as is any other business on the speed with which it can adapt to circumstances.

What this is leading to is that a major railway transportation problem of the 1990s is - simply - psychological. Mindsets which obstruct the capacity of railways to adapt to the needs of their customers on a timely basis matter to everyone. The rate of change in the global marketplace in which railway customers compete is outrunning the rate of change in the railway industry, and the introduction of railway productivity measures and innovation cannot continue at rates acceptable in the past. Let me cite a few examples.

In 1977, we began overhauling the Uniform Code of Railway Operating Rules. Regulators approved the changes - this year. In April, 1984, we applied to replace cabooses with electronic technology. We ran our first cabooseless train - this year. Canadian railways developed a cold weather brake testing system which allowed them to run longer trains in winter months. It was implemented - after five years of hearings.

If those are not testaments to the ability of antique attitudes and antiquated processes to delay the implementation of new ideas and new technology, then I don't know what is.

Western Canada's export economy is still based on grain, lumber, coal, potash, sulphur, and petrochemicals: products which depend on efficient, adaptable railways to keep them competitive. Swift adaptation is not a phrase which leaps to mind in the circumstances just described.

The problem is one of attitude. I am not pointing a finger at any group - not even at regulators as a group. I am criticizing what I consider an attitude spread widely through the
population. Canadians have entertained for too long an exaggerated estimate of the capacity of railways to absorb economic punishment. Long-term railway viability is now an issue on this continent.

With the 1987 National Transportation Act and free trade, competition in the transportation industry has become a North American issue.

Transport Canada, in a report last fall, estimated that locomotive fuel taxes levied by all levels of government make Canadian locomotive fuel about 55 percent more expensive than it is in the United States, with this estimate taking the exchange rate into account. They said that overall, taxes represent about 20 percent of railway variable costs. Since it is not we who in the final analysis pay our taxes, but our customer, the implication is clear. The tax regime makes Canadian railways more expensive than their U.S. counterparts and Canadian railway customers are faced with higher freight rates than their U.S. competition.

Given the margin on which many of our resource-based industries work, what is the benefit? Canadian Railways, for example, carry a tax burden of more than $3.00 a ton (above a comparable U.S. line) to move coal from the west to Ontario.

Much has been said about the imbalance between the trucking industry and the rail industry in Canada. At a session where both road and rail interests are represented, opening the subject of regulation and taxation would normally lead to endless debate. However, both modes exist to serve one purpose, and that is to move our customers' products, efficiently, safely and at a low enough cost for our customers to be competitive in world markets.

What is required in Canada is a national transportation policy. In its first annual policy review, the National Transportation Agency (NTA) said that because transport policy decisions are made in different policy arenas according to different policy criteria, the country was not making the most effective use of transport resources. One result was higher total transport costs.

The classic symptom of the discontinuity cited by the NTA was the different treatment given by different policy makers to railways and trucks. Railways are regulated by the federal government; trucking by the provincial governments. Railways build, maintain, and finance their rights-of-way from their earnings. Trucks pay less than their full share of highway user costs. The larger the truck, in fact, the lower the contribution it makes to full user costs through taxes or fees.

The different treatment of carriers is a policy discontinuity which contributes to railway line and network abandonment, to increased demands by provinces that the federal government help pay highway maintenance and expansion costs, and to highway congestion. It provides a hidden subsidy for truckers and it discriminates against rail-dependent industries.
The NTA concluded that the country needed an integrated transport policy to prevent the decisions of one level of government acting at cross purposes to another. I believe that achieving this integrated transportation policy is the most important focus for transportation in the 1990s.

We require a policy regime which fosters transportation innovation and adaptability in all arenas, which encourages carrier competition, which assigns as much importance to cost reduction as to rate reduction and which in all cases, provides a safe transportation environment.

With respect to the rail mode, the Manitoba Transportation Action Plan to the Year 2000 has focused on a number of issues that are important to CN, including provincial taxation, regulatory changes relating to a change in the method of payment under the Western Grain Transportation Act and maintaining a continuing dialogue with the railways.

However, I believe that the province must look beyond the specific objectives which have been identified in the report to protect the transportation industry in Manitoba and more specifically, employment. We have seen tremendous change in the transportation industry within our own careers. I expect to see much more. As markets change, distribution flows will change and the economics of transportation will dictate that the railway environment will have to change to keep pace.

A major concern to everyone should be the fact that only a few, and I mean very few, railways in North America are currently earning enough to sustain themselves in the long term. Canadian railways cannot be included in this successful group.

In the foreword to the report, Marshall E. Rothstein stated:

Canada competes for industrial development with the United States and other countries. Manitoba competed with other provinces. The study reminds us that we, in Manitoba, cannot be complacent. The federal and provincial governments must take initiatives and formulate policies that will cause the transportation industry to consider Canada and Manitoba attractive for growth and expansion.

I applaud the specific objectives which have been set forth in the report to encourage transportation employment in Manitoba. However, I urge the province and all interested parties to ensure that the necessary policy and regulatory regimes referred to by Marshall are put in place to give the railways the necessary flexibility and adaptability to meet our customers' transportation and distribution needs. Without that flexibility and adaptability, we will be unable to grow and expand.
A CP RAIL PERSPECTIVE

Ted Minto
Reaction Panelist

My compliments to the Transport Institute for its report on transportation development in the decade before us. The keynote speaker for this panel, Marshall Rothstein, has helped highlight some of the issues that the report sees bearing on rail transportation.

Before giving CP Rail's perspective on these issues, I want to comment on the report's focus on employment. The underlying theme seems to be that an industry's value should be measured by the number of people that it employs within a province.

When we examine our economic prospects at CP Rail, we have a different emphasis. We must look at the market we serve, the service we provide, and the value the market puts on the service. From our ability to serve the market profitably flows the employment required to get the job done. But that benefit to the community is a consequence of providing the service. It is not the objective.

If maximizing employment was the primary objective or function of economic activity, other economic principles would be secondary to that goal. There are examples of this in recent history in countries with controlled economies -- and they have paid a price in lost competitiveness and lack of incentive to curb waste and inefficiency.

In market-based economies, we have relied more on policies that create opportunities and incentives for businesses to grow. When it works, opportunities for employment grow as the businesses grow. The report we are discussing did deal with some of the factors that inhibit growth. In comparison with the emphasis on employment, however, the coverage is limited. The summary of chapter five lists eight points, seven of which relate to employment, only one deals with other issues.

This imbalance is unfortunate. Even for those who may have no other interest in railways than as a source of employment, the benefits can be achieved only if the marketplace and the regulatory and fiscal environment enhance the industry's growth potential.

First and foremost, we have to consider the market for transportation services and what we have to do as a business to participate in that market. Regardless of other factors, we have to be where the business is. Then we have to tailor our total operations -- our plant, our equipment and our human resources -- to match.

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*Assistant General Manager, Operation and Maintenance, CP Rail West, Heavy Haul Systems.
Railways, of course have a big investment in fixed plant, and adjusting it to meet changing circumstances is not easy. Branch lines are an example. They were built to meet the needs of another era, and many are now becoming redundant. They are increasingly unable to earn enough to pay minimum costs for maintaining and servicing them, yet they are faced with significant increases in property taxes.

But, to the extent we have control of our destiny, we have to be where the greatest opportunities for business present themselves -- and we position our work force accordingly. Not only do we have to respond in a direct way to workload, we have to adjust ourselves organizationally to serve the market in the most effective way.

Although it is the market demand for our services that determines our future, a major influence is the regulatory and fiscal environment, and whether it encourages or discourages our ability to compete and be viable. The report and Mr. Rothstein's paper recognize some of the regulatory and tax hobbles which inhibit our ability to compete. This kind of impact is anything but encouraging.

Much of the regulation and policy is a holdover from an era when railways were considered to be operating as virtual monopolies. But times have changed a great deal and competition is everywhere. The private car, buses, trucks, aircraft and pipelines can carry traffic that once moved almost exclusively by rail. The volume of traffic carried by all those other modes now exceeds by many times what railways carry.

Changing technology - and the inherent advantage other modes have in certain markets - is part of the reason for the shift. But government policies are another. Governments built the roadways and airports, for example, and encouraged the growth of competition in a very real way. As a result, consumers and shippers have a wide array of competition and choices that stem in part from infrastructure provided at public expense - highways in particular.

A fundamental difference, however, is that railways continue to pay for their own infrastructure -- and, through their taxes, may be helping to pay for their competitors' infrastructure as well. If fuel taxes are a way of getting highway vehicles to pay part of the cost of highways, how do you explain fuel taxes for trains? And what about a province like Manitoba, where the fuel tax rate for railways is even higher than it is for commercial highway carriers?

When governments want to influence development in a particular direction, a common technique is to use taxes or regulations that favour that direction or inhibit alternatives. Is that the reason for fuel tax policies, or is there just a tendency to see railways as a convenient and politically-painless revenue source?

I don't believe governments are consciously trying through their tax policies to inhibit the use of railways. But there is an apparent lack of thought given to how imposed costs, such as arbitrary property and fuel taxes, are recovered in a competitive marketplace. We are
not a monopoly, and we are not a utility which can recover these costs through a regulated rate.

Certainly, it is becoming clear to us that if people want railways -- and the railway employment that results -- a fundamental requirement is equality of treatment, not just between rail and highway transport, but between Canada and the U.S. as well.

Consider these facts:

* Fuel taxes are many times higher in Canada than in the U.S. A train from Toronto to Vancouver incurs about 10 times the fuel taxes incurred by a U.S. train on a comparable movement. Moreover, railways receive no roadway benefit from those taxes as commercial highway carriers do from fuel taxes.

* Then there is property tax, which is essentially a penalty on the ownership of infrastructure. CP Rail pays almost 75 percent more property tax per gross ton-mile than major U.S. railroads. Neither commercial highway users, nor governments that provide the highway, incur such a cost.

* Both the property and fuel tax issues are mentioned in the report and in Mr. Rothstein's conclusion as warranting examination. They are significant parts of a substantial Canada-U.S. tax imbalance. One result of the imbalance is that, overall, CP Rail pays one-third more tax per gross ton-mile than major U.S. railroads do.

* There are disadvantages to investment in transportation in Canada as well. A U.S. railroad can completely write off any rail-related investment in seven and a half years. A Canadian railway can write off less than half of its investment in that time -- and Canadian truckers have similar disadvantages.

* There is also the issue of market entry and exit, which has two aspects:

  In the one case, there is the lengthy procedure required to extract ourselves from business that has dried up - the light-density branch line markets where trucks have become the dominant mode.

  For entry, there is the troublesome question of competitive line rates, which jeopardize investments we have made in meeting the needs of shippers on our lines.

Those inequalities are visible and measurable. Another is more complex -- and it relates to ownership of infrastructure and who pays what. We know there has been a massive shift of traffic from rail to truck for many years. We know a lot of it is due to trucks' inherent advantages. But there is also strong evidence that the shift has been accelerated by differences in how rail and road infrastructure is paid for. While roads may be a "public"
service, they are also used for commercial purposes in direct competition with railway transportation and railway investment.

Even in grain, so often seen as a "railway" commodity, a Canadian railway's future is far from assured. The Transport Institute's report deals somewhat briefly with a very controversial grain transportation issue. That is the question of whether the Western Grain Transportation Act payments should continue to be made to the railways. Many favour the government payments being made directly to the farmers. Shippers would then pay full grain rates, and shop around for the best transportation deal.

While making its payment to the railways, the government largely insulates the railways from competition in hauling grain. By changing the method of payment, it would open the doors to competition. If all the existing regulations that apply to railway transport of grain continued, in effect, we would be about as free to compete with trucks and U.S. railroads as a runner chained to the starting block.

We do not object to changing the method of payment, if that is what is wanted, but we must then be freed of the restrictions and encumbrances we now carry. In other words, we must be able to compete on equitable terms. Then, we will be able to be in the game.

Clearly, the future of rail transportation -- whether it is viable and can hold its own and move forward as a competitor -- is closely linked to government policies. In the meantime, as competitors, we are doing everything within our means to stay in the game. We have launched a whole array of improved service initiatives and are investing capital -- scarce capital -- wherever segments of our market show promise. But, so long as tax and regulatory policies and the differences between private and public roadway ownership are not reconciled, we can expect to see more of the same: rail transportation being squeezed out of markets where it might otherwise be the more efficient mode.

The question for Manitoba, or any other part of Canada, is not how to find ways to increase railway employment, the question is whether Canada wants railways. Does it want a balanced, sovereign transportation system in which railways can play a vigorous role? If we can answer that question, all the others will fall into place.
A LABOUR UNION PERSPECTIVE

Al Cerilli∗
Reaction Panelist

Railways in Canada, since the 1890s have provided the major means of transportation for goods and services, and to some degree, rail infrastructure remains intact. But for how long is uncertain. Railroading has been criticized by some and referred to as nostalgic and living in the past. It is my view that automation, branch line abandonments and continued reduction in work forces will continue to create customer dissatisfaction in rail services. The question is: "When does a combination of those three factors reach a level that causes job stress and results in customer dissatisfaction?" Simply to continue to reduce costs in order to measure future successes is simply to look at the bottom line of profit at human cost.

When does downsizing in any industry, and in this case, in railway services, lose its purpose resulting in customer dissatisfaction? Like so many Chief Executive Officers in industry today, Mr. Ron Lawless, CEO of Canadian National, has stated that "Reducing costs is the key to future successes".

For most of us, work is the central part of our lives. The workplace is where we spend a great deal of energy and thought. We measure our status in society by the amount of earnings we achieve or by the level of satisfaction we achieve, or both.

The changing workplace, because of centralization, downsizing, automation, mergers, etc., continues to create many hazards which result in low productivity, absenteeism and increased rates of accidents, both on and off the job. This cost is expanding beyond $8 to 9 billion yearly.

One major health hazard of the modern workplace is job related stress. Because of the additional pressures induced by the new work environment, this disease does not discriminate between top or middle management, blue or white collar workers. In a deregulated, free trade environment, management push to maximize productivity, borrowing from Japanese and European team quality concepts. Management see this concept as a solution to improving productivity, while workers see it as another means of job cuts, lay-offs and added pressures on workers. However, if the impact of the concept is to be considered, it should be examined on the basis of total unionism, like West Germany. Labour relations on a piecemeal basis will only create complications and widen the gap of employer credibility.

∗Regional Vice-President, Canadian Brotherhood of Railway, Transport and General Workers.

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The myth that trucking is the main competitor for railroads is not realistic. Intermodal transport provided by the railways is, in fact, competitive and will be the way of the future for not only Canada, but other countries as well. To continue on the path of self-destruction through branchline abandonment is to neglect the life lines that feed freight into the main line systems, and forget about "small town Manitoba and Canada". The myth will, within ten years, be fact.

Canada produces only so much freight, and in a deregulated Canada-United States environment, this is a factor in creating disruptive decisions by management, which contribute to worker uncertainty and customer dissatisfaction.

Shippers are taking advantage of a deregulated transportation system and are having a field day in an auction atmosphere with all carriers as to who will bid the lowest rate to transport a shipper's goods regardless of whether the carrier has a backhaul or not. This creates considerable problems for carriers, governments and workers.

The carrier, having given the shipper the lowest rate possible, seeks ways and means to reduce costs. The worker is under pressure from the employer to give concessions, to reduce costs on the threat of losing his job. This can only lead to unwanted confrontations.

The pressure on governments is to find tax dollars for continued expenditures on the maintenance and expansion of our transportation infrastructures. It has been estimated that 13-15 billion dollars are needed for road, highway and bridge repairs within the next ten years to the year 2000. There will also be continued expenditures of hundreds of millions of dollars for upgrading and maintenance of our air and water transport facilities.

In addition to the costs to provincial and federal governments for maintenance and expansion of the highway system, the present condition of our roads, highways and bridges is having an adverse economic impact on trucking costs in respect of repairs to trucks and trailers. The disadvantage between rail transport vis-a-vis road, air and water transport is that rail companies, CN and CP, pay their own costs of repair and expanding their infrastructures.

In a deregulated environment, the excess number of independent truckers will eventually get worse and as each province allows easy and free entrance into the system, the carriers will eventually operate under a disruptive and dangerous concept of too many road carriers.

Railways that are presently creating short line operators will be faced with the same disruptive concepts. The break-up of our Canadian rail transportation infrastructure in branchline abandonments and regional services continues to be the wrong policy. Other countries are rebuilding and expanding their railway systems for an efficient and environmentally safe means of transportation.
Since deregulation in the United States, the American railways have drastically restructured their operations, causing the loss of approximately 100,000 jobs. As previously mentioned, the trucking industry in the United States has also suffered a tremendous restructuring and has seen the income of truckers drop by as much as 30 percent.

The introduction of legislative change in rail transport in Canada has introduced Canadians to confidential contracts between shippers and carriers, access to competitor rail lines and competitive line rates. Labour's fears are that the cost saving by shippers will pressure the rail companies into a militant position with their employees and, as a result, cause disruption.

In addition, rail will also suffer from the rail dominance and influence of Americans in the North/South flow of goods. Since deregulation, CN, for example, announced the elimination of some 15,000 rail jobs within a five year restructuring period, with the preponderance in the cuts for 1990 and 1991.

Canada must re-think its transportation policy and deal with transportation as a whole. When dealing with the railway transportation, it is for justifiable economic and environmental reasons that Canada must maintain and expand this means of transportation, and not as some so-called experts say, for nostalgic reasons of the past.
A USER PERSPECTIVE

Stan Spak
Reaction Panelist

I am pleased to present a user perspective on railway transport in the province of Manitoba. My comments are based on the nine months I spent as a Transport Institute researcher on the Transportation Action Plan. Although this section of the conference is devoted to rail transport, I would like to make some general comments on the background for this research project.

Our first objective was to determine how to best gauge perceptions held by Manitoba users of transport services. Users were to be asked the obvious questions with respect to:

(1) transport modes used on a regular basis, and the major mode for inbound and outbound shipments;

(2) the degree of satisfaction with transport services;

(3) areas for improvement;

(4) rating the relative importance of price versus quality of service factors; and

(5) any other concerns that firms might have regarding future transport requirements.

In addition to these questions, UMTI researchers attempted to determine the individual firm's sensitivity to transport costs by using a ratio of transport costs to product selling price. Transport costs obviously have an important influence on the location and economic feasibility of an industry when they constitute a large proportion of the product selling price. One must, however, be cautioned on the use of such a ratio because that ratio can change with factors unrelated to freight rates, such as changes in product prices and changes in the distances to markets served.

Once the questionnaire was designed, the next step was to determine which firms would be approached for an interview. Manitoba users of transport services were divided into two major categories:

(1) primary industries; and

(2) manufacturing industries.

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Primary industries were then sub-divided into mineral production such as mining and quarry operations, agricultural products, and other primary production such as fishing and furs. Manufacturing industries were addressed in three major categories:

1. food and beverages, which constitute 28 percent of total provincial manufacturing shipments;

2. plastics, clothing and forest products, at 26 percent; and

3. metals, machinery and chemicals, which account for 22 percent of Manitoba's manufacturing shipments.

At this point, after consultation with the Department of Industry, Trade and Tourism, all that remained was to arrange interviews with the major firms in the various categories - firms that would likely best represent those categories and that would provide researchers with the best information.

Generally speaking, primary producers continue to be very mindful of transport costs. They are also anxious to benefit from lower freight rates and better service resulting from improvements in transport operations and technology. With the availability of cheaper backhaul rates for truck transport, the mining industry is no longer captive to rail. Ordinarily, mining products would not justify truck transport. However, truck traffic carrying building materials to the Limestone Project has provided primary producers with a great opportunity. Truckers' need for backhaul commodities will undoubtedly continue with the recent decision to commence construction of the Conawapa Project and primary producers will continue to benefit from this activity. For the duration of such major construction projects, railways will find truck transport very competitive.

Turning to manufacturing industries, their product selling prices do not fluctuate from year to year to the same extent as prices of primary products. In measuring a firm's sensitivity to freight costs, this gives greater stability to the ratio of transport costs to product price. This ratio can, however, change if an industrial sector chooses to penetrate more distant markets with an accompanying increase in transport costs. The ratio of transport costs to product price is a useful means of identifying transport sensitive industries, but it is never a definitive measure.

In the area of manufacturing, forty firms were interviewed during the course of the UMTI study and their views on rail transport were noted. Due to the number of firms involved, it would be too time consuming to deal with them individually, therefore, results are summarized for the three main categories:

1. food and beverages;

2. plastics, clothing and forest products; and

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metals, machinery and chemicals, with occasional reference to a specific sector or firm.

Of the 15 firms we interviewed in the food and beverage sectors, 8 used rail for outbound shipments, and 3 mentioned rail as the major mode for outbound shipments. The financial inducement of low WGTA freight rates was the attraction for canola products, and the other two companies using rail as the main outbound mode were Campbell Soup and Seagram Distillers. The quality of rail service was criticized by two of the three shippers who relied mainly on this mode for outbound shipments.

Of the 12 firms interviewed in the plastics, clothing and forest products, only 3 used rail for outbound shipments, and two of these used rail as the primary mode. There was a higher proportion of rail use for inbound shipments; 8 out of 12, four of which used rail as the primary mode. Two of the companies using rail for inbound shipments criticized the service.

Of the 13 firms interviewed in metals, machinery and chemicals, 9 used rail for outbound shipments. Two of these mentioned rail as the primary mode - Manitoba Rolling Mills and Federal Pioneer. For inbound shipments, 7 firms out of 13 used rail, and rail was the main inbound transport mode for four companies - two were purchasing steel products from Eastern Canada, one was moving limestone 280 kilometres to the plant in Winnipeg, and one was bringing in raw materials for the manufacture of paint products. There was no long list of complaints but three firms commented on the need for improvement in rail service, mainly in respect of frequency and quality of equipment. In this category, rail transport was used by almost half of the firms interviewed and was the most important mode for roughly one-fifth of respondents.

Rail transport does not rank high in importance according to most Manitoba manufacturing firms. The exceptions are firms that use rail for inbound shipments of high density raw materials such as steel. For outbound shipments, firms that require specialized equipment rely on rail; examples are the transport of electrical transformers that can weigh as much as 700 tons and bulk whisky transported in specially equipped rail tank cars. In comparison to truck transport, rail received somewhat lower grades for service. However, this may have partly reflected the technological constraints on rail transport rather than the quality with which the service was being provided.

In conclusion, I think it is fair to say that rail did not measure up to highway transport. That does not necessarily imply that rail service is bad. On the contrary, it would appear that rail service is quite good, but highway transport is perceived to be better.
WRAP-UP COMMENTS
John Heads, Marshall E. Rothstein, Otto Lang

John Heads

I would like to thank you all for coming. I think this has been a very useful conference with
a very high level of presentation and questioning. It was interesting that towards the end,
Sandy Hopkins started asking questions on the Western Grain Transportation Act. We had
decided that this would not be part of the present conference, but Mr. Hopkins has shown
his usual prescience in anticipating what will probably be the subject of our next conference.

I would apologize for the fact that we had to move you from the Transport Institute building
into the Fletcher-Argue because of the breakdown of the air-conditioning. However, I am
extremely appreciative of the speed with which physical plant accommodated us by moving
us over, in our entirety, during the lunch-time break. This will, of course, confirm the quality
of administration that you expect in this university!

Reflecting on the proceedings of the last day and a half, the Manitoba Transportation Action
Plan has put forward a number of proposals to try to ensure a stable level of employment
in transportation services in Manitoba. I use the word stable advisedly. Our employment
in transport services was 28,500 in 1989. Even if everything is achieved that we have
outlined in the Manitoba Transportation Action Plan, we will only be at roughly the same
level of employment in the year 2000. We have to work really hard in order to stay still.
The reason why we have to work so hard is because of declining railway employment.
Although Manitoba has not suffered relatively more than anywhere else in Canada from
decreasing railway employment, nevertheless, when you have a large share of a market that
is declining, then you really have to struggle to find replacement jobs. The transport
equipment manufacturing sector is one important area where we have to look to increase
employment opportunities.

I have reflected deeply over the last day and a half on the realism of the various targets that
we have put forward in the Transportation Action Plan. Of all the targets we established,
the one that received the main pummelling was the establishment of an overhaul base by
Canadian Airlines International Ltd. in Winnipeg. I have thought throughout that this was
going to be the most difficult target to achieve, but I still think it is an extremely important
one.

As someone commented in the course of the conference, the exact targets that we put
forward will not be achieved because we do not have prescience. As someone said, "Dr.
Heads' crystal ball for the year 2000 is no better than anyone else's". As one formerly
employed in sales forecasting, I am tempted to dispute this charge, but in reality the
statement is true. We are going to have to struggle to achieve the targets. Yet, quite often, you do get industrial development from places where you least expect it.

I commented in the Air Session that at the end of the 1960s, we had no overhaul facility belonging to Air Canada in this city. We had an assurance that we would never get one again. And, yet, we now have 470 employees in the Air Canada Overhaul Base here. As part of the compensation for losing the Air Canada base, we also had established a tiny, little factory run by Boeing of Canada. When I last looked at the figures, there were 1,250 employees at the factory and the number was still growing. I think the politicians of that day did try to tackle the problem, people like James Richardson, Sydney Spivak, and Len Evans. Len Evans is still in politics. The other two politicians are now retired from the political arena. They planned and worked extremely well and it is unfortunate that, when politicians are successful, so often they can only see things come to fruition many years after they leave office.

I have been considering us to how best the targets can be achieved. I sometimes think that setting forward aims and objectives is a fairly simple exercise. In the development area, the real demand is to implement successfully - to do all the spade work, to go through the long negotiations and the long discussions. This is the challenge that this province continues to face. The Chamber of Commerce has indicated that it is prepared to try to follow-up on the recommendations in the Manitoba Action Plan. They have invited the Transport Institute to work with them on this and we have responded positively to this invitation. However, I am not sure that the Chamber can achieve it on their own, partly because they do not have the power to make the changes that are necessary in the economy as a whole; and, partly because they do not have the permanent staff that are necessary to do the spade work of the development process. Nevertheless, I very much welcome this initiative and I think that it is important.

The Federal Government has a part to play, but to some extent the Federal Government is understandably more concerned with economic development throughout Canada. The regional implications of economic development in Manitoba are a less high federal priority than they would be at the provincial level. In Manitoba, we have also a temporary problem that we are probably not too popular with the federal government, although that will presumably pass. However, the main spur for implementing the various proposals that we have developed must be the provincial government. I feel quite confident that the provincial government will take up this challenge.

I now turn to the University of Manitoba and what part we should play. In an earlier version of the Manitoba Transportation Action Plan, I had suggested that the Transport Institute was ready to help with the implementation. It was suggested by one of the people reading the draft that I was indulging in special pleading and promotion of business for the Institute, not that I apologize for that because I think that sales promotion is extremely important. Nevertheless, we are willing and ready to make any staff input we can to work with the Chamber of Commerce and work with the Province. However, we do have another
consideration that we have to balance - this is an issue that Ed Tyrchniewicz was bringing up very clearly in his presentation. He said that a Transport Institute must not become too academic or it becomes divorced from the real needs of the transportation community of the Province. On the other hand, if it becomes too practical and too much involved in the needs of the Province, it ceases to have an academic underpinning. The dichotomy that he poses is extremely important and we certainly have to watch this as the future develops.

These are my broad reflections on the Transportation Action Plan in the light of the discussions of the last few days. My comments will be followed by those of Marshall Rothstein, the Chairman of the Transportation Industry Development Advisory Committee, and then by Otto Lang.

Marshall E. Rothstein

I believe conferences, such as these, are very valuable because we are talking about long range planning and long range initiatives when we have before us documents like the Manitoba Transportation Action Plan to the Year 2000. A lot of the objectives and the initiatives are hard to implement. It is through these kinds of dialogues and conferences that ideas and thoughts tend to crystallize. Even if only a few initiatives are ultimately achieved, the Action Plan, through the means of conferences such as these, will have proven to be valuable. Therefore, I hope and trust that there will be future conferences and dialogue carried on by the Transport Institute, the Chamber of Commerce and others with a view to achieving those objectives.

I am going to give you a few reflections on some of the comments by some of the other panelists that put a different emphasis or approached a transportation problem slightly differently than the Action Plan. I am going to do it chronologically and take a couple of examples from each of the speakers in the rail session.

In the case of Doug Duncan's presentation, he made the point that railways must be able to adapt rapidly to changes so that they will be able to compete effectively in a current environment. Regulation should not impede that. He said that there was a problem of attitude and that "the railroads cannot continue to absorb economic punishment". I think that there may be something to remember there. Very often, my clients hire me for the purpose of trying to obtain something from the railway. When we are talking about government policies, I think that we are all on the same side in saying that there has to be a realistic approach to the railways. They are not artifacts, they are not simply instruments of national policy, and they cannot continue to absorb economic punishment.

He also said that we should have a coordinated, national transportation policy. That was elaborated by some of the people who asked questions later. That is something of which we must always be aware so that we are not at cross-purposes in developing policies in dealing with the railways, trucks, and all the modes.
Ted Minto commented that perhaps the focus of the Transportation Action Plan and my own remarks in addressing the question of railway employment is "putting the cart before the horse". He indicated that you have to look at the market and the service that the railways are to provide. It is employment that follows from that. This is, of course, a reasonable reflection of what actually takes place in business.

Ted Minto also commented on the need to ensure that regulation does not impede the railway's ability to compete. I would just like to offer an observation of my own to partly address one of the questions Sandy Hopkins asked. It seems to me that one of the things that you would need, under a "pay the producer", regime is not to have a mileage scale under the Western Grain Transportation Act. If truckers were not governed by the same kind of regulation, you could not encumber the railway by forcing them to charge a certain rate from a given point. If we went to a pay-the-producer kind of approach, that is the kind of regulatory situation that would have to be reflected. I think that there are regulatory restrictions that exist today that would have to change under a changing environment in grain.

Al Cerilli talked about how, in a commercial environment, job-related stress affects safety and customer satisfaction. Therefore, it affects the railway's ability to provide service and the freight volumes that customers are prepared to give to the railway. I think that this is something that the railways have to consider. This question of job-related stress is something that has a commercial impact, and is not just a social issue.

Stan Spak spoke about assessing the perceptions of users and looking at the sensitivity of industry to transportation costs. In doing that, he reminded us that, in some cases, shippers are particularly concerned about rates; in other cases, they are more concerned about service; in many cases, they are very concerned about both. This helps to focus on the needs of different users and shippers to determine how government policy should be set and how railways should be reacting to users and shippers.

In the questions that were asked, after the rail panel, there were a number of people who spoke about rail service in Northern Manitoba. One of the questions that was asked was how we were going to maintain a northern railway. One of the panelists answered that if the northern railway was not viable economically, it may have to be a matter of government policy to support that railway. If we are to maintain the existing rail service to the north, it is through these kinds of dialogues that concerns can be brought to the attention of governments. Hopefully, they will be responsive in addressing the needs of the communities that rely on rail service.
Otto Lang

As I observed the proceedings during the conference, there seemed to be very little real dispute as to the underlying thrusts of the Action Plan, particularly the thrust of setting targets and going after them from the point of view of the region. There was not a lot of argument in relation to the varying areas in which this pursuit should be made, but everyone realized that there would be varying degrees of difficulty.

The question of having an additional airline maintenance operation here creates a challenge. In the particular case of Canadian Airlines International, the airline is seriously considering its whole new regime, produced from an amalgamation of several airlines. Some discussions with the maintenance managers of the company, some drawing to their attention of all the opportunities of a Winnipeg location, some lobbying could have some impact. Again, it seemed to me, our path in pursuing courses of action, as laid out in the Action Plan is really clear.

The representatives of the various modes of transportation directed a good deal of attention to the difficulties they face within their industry in maintaining, growing, and developing. In the case of the airlines, the discussion was mainly a look at the world and the strength of the competition which they will be facing. In the case of both the truck and rail modes, there was a focus on the internal problems of our own making within this country and the effects of U.S competition. In Manitoba, the wrong things being done as a matter of policy in rail and trucking are of great economic importance. If they are corrected and lead to a healthier industry, then we stand to benefit greatly. That is another clear challenge for us.

Along with the challenge of job targets, and the pursuit of policy changes and practical decisions on the part of the industry everywhere, the question arises as to where we go from here. It is a particularly vital question because the very committee co-ordinating transportation interests in this area, TIDAC, which sponsored the study and worked closely with us in the course of its development, no longer exists. Therefore, while there are a lot of recommendations, a lot of points of action and a lot of persuasion that is required, there is not necessarily anyone who will automatically undertake the task. That is a problem with all kinds of community situations across the country. Very often, they are resolved favourably only if there is an initiative that emerges and is implemented.

I have some hopes that, between a couple of initiatives, action will result. The first one to which John Heads referred is a sub-committee set up under the Transportation Council of the Winnipeg Chamber of Commerce. There is a real determination with Sandy Hopkins and the Committee to pursue the initiatives. The make-up of the Committee becomes very important in terms of its balance and its proper breadth.

The other opportunity that we have is Task Force 2000, which has been set up within the city. Its whole focus is on economic development. If we can have the sub-committee set up by the Transportation Council work with it, this could be very beneficial. There is a
challenge for us and some real opportunities. We know we have our difficulties. If we are going to make progress, we certainly have to continue the lobbying with government to remove self-inflicted wounds from our transportation area.

It has been a delight to have all the participants in attendance. I thank particularly the staff of the Transport Institute and, above all, John Heads for his organization of the conference which he always does so very well. I hope that all the participants had an enjoyable time and I look forward to all of you being back with us on other occasions on other areas of interest.
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