



CHAPTER 10: *Transportation — Continental Integration*

THE SHEER SIZE OF their country challenged Canadians to develop a world-class transportation infrastructure capable of maintaining linkages across vast distances. Canadians rose to the challenge and today, Canada's transportation infrastructure serves as a cornerstone of the country's industrial strength and competitiveness. The 1994 World Competitiveness Report gave Canada consistently high scores in those categories that measured the adequacy and flexibility of roads, railways, air transport and ports of access relative to business requirements.

We ship all over North America using highway and intermodal carriers. Overall, I would rate the distribution network as excellent.

Charlie Connors, Deployment Coordinator
Michelin Tires (Canada) Ltd.

A FLEXIBLE AND DEREGULATED SECTOR

The National Transportation Act of 1987 sharply reduced regulation of Canadian transportation companies. It provides for more flexibility in pricing, routing, market entry and exit, as well as the right to enter into confidential service contracts. As a result, competition between Canadian and American carriers is increasingly stiff. To survive in this environment, transportation companies must offer service at very competitive rates.

Civil aviation services between Canada and the United States were dramatically liberalized under the terms of the Open Skies Agreement signed in February, 1995. Under the Agreement, Canadian carriers will have unlimited rights to fly from anywhere in Canada to any point in the United States. American airlines will enjoy similar rights to destinations other than Toronto, Montreal and Vancouver. Equal access for U.S. carriers will be phased-in over three years. The arrangement will mean better connections and more competitive pricing for both passengers and cargo. In the six months following the implementation of Open Skies, it is estimated that transborder passenger traffic rose by 16 percent.

COMPETITIVE RATES AND SERVICES

Quality service is one half of the equation for transportation efficiency. The other half is competitive pricing. Canadian transportation companies offer both, in all modes.

Strong competition has kept trucking rates low, particularly in the transborder sector, where the number of carriers has increased dramatically. In many cases, rates have fallen over the past few years.

Under the pressure of fierce global and North American competition, Canadian airlines offer highly competitive passenger and cargo rates.

In the domestic market, Canadian railways also face new competition as a result of the National Transportation Act. Average revenue per tonne-kilometre, an indicator of overall rail rates, has fallen since the mid-1980s.

