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The Canadian Trucking Alliance is a federation of the seven Canadian provincial trucking associations representing approximately 4,500 motor carriers and is dedicated to serving the national and international interests of Canadian motor carriers.

NEWS RELEASE

Transport Canada Investigation Says Full Cost of Transportation in Canada Cost \$200 Billion Plus in 2000

First of Its Kind Study in Canada Has So Many Data Gaps and Limitations You Could Drive Truck Through It: Bradley

(Ottawa, August 12, 2008) -- Interesting work, the first of its kind in Canada, but the data gaps and limitations are so wide you could drive a truck through them. Beyond an interesting intellectual exercise, the report is not of much use and certainly cannot be relied upon for policy purposes.," That is the assessment of David Bradley, CEO of the Canadian Trucking Alliance of a new "synthesis report" from a three-year investigation spearheaded by Transport Canada, into the "full costs" of transportation in Canada. The investigation found that in 2000, the full costs -- financial costs of providing and the use of transport facilities and services, as well as non-monetary costs associated with transportation activities such as road congestion delays, accidents and environmental damage -- in Canada ranged between \$198 billion and \$233 billion. Table 1 provides the "middle-estimate" findings. The scope of the investigation included all modes of transport and all networks and services, irrespective of the provider (governmental [all levels] or private).

Perhaps the most interesting part of the investigation is the attempt to quantify the social costs of transportation. (See Table 2). "Try as they might, allocating costs and determining social costs of anything, especially transportation is at best an art, it is certainly not a science," says Bradley. "As a result, to use this report for policy development would be very risky." While stating that the report provides "defensible estimates" of costs and represents an "additional analytical tool", it also concedes that "a number of challenges were encountered: some pertaining to data availability and limitations, others related to methodologies, such as the methodology to use to allocate costs and to quantify and monetize impacts of transportation activities."

In comparing the modal costs, the investigators relied upon what Bradley calls "an outdated and biased measurement of modal activity. "It seems the "science" of cost allocation in freight

transportation has progressed very little in the past 20 years," says Bradley. "It is still reliant upon tonne-kilometres as the chief measure of modal activity. And, when you use tonne-kms of it favours modes like rail and marine which move heavy loads over long distances. Trucks aren't in that market. They operate in the shorter distance, smaller shipment market. There is no accounting for this difference in service when conducting modal comparisons and therefore there is always going to be a bias against trucking when tonne-kilometres are used." The report finds that in terms of tonne-kilometres, rail is the dominant mode of freight transportation, even though, for example, trucking's share of GDP is about three times that of rail. "This skews the numbers, especially when doing environmental cost comparisons," says Bradley.

In addition, it would be unwise to use the reports findings for example to develop policy with regard to air pollution. "A lot has happened since 2000," says Bradley. "We are now in the era of the smog-free truck yet that is not factored in."

The biggest weakness of the whole exercise says Bradley is that it only looks at the costs of transportation; it does not look at the benefits. "Unfortunately, this doesn't help the sector in its attempts to ensure that policy-makers and legislators view the industry as more than a necessary evil or stop taking it for granted." Transport Canada concedes that "in order to complete this project by the deadline, the issue of absolute and relative benefits and advantages of transportation has been excluded from the scope of the project. Eventually, this important dimension will have to be incorporated to include in the analysis not only the full cost but also the economic and social benefits of the sector."

Still, Bradley says the report does contain a lot of interesting information and requires a good degree of further study and analysis. For example, the study contends that from an international perspective, when compared with similar cost estimates in other countries, at first blush the report suggests that full transportation costs represent a lower share of the country's GDP than what seems to be experienced in other countries. But, again caution must be exercised before drawing any conclusions.

Table 1: Full Costs of Transportation in Canada				
(Middle Estimates, \$ Billions, 2000)				
Mode	Financial Costs	Social Costs	Full Costs	Social Costs
				Full Costs

Light road vehicles	31.17	10.21	41.38	25%
Coach bus	0.86	0.05	0.91	5%
Rail	0.41	0.02	0.43	4%
Marine	0.62	0.05	0.67	7%
Air	14.65	0.58	15.24	4%
Sub-Total	47.71	10.92	58.63	19%
Local Passengers				
Light road vehicles	68.66	13.04	81.69	16%
School bus	2.82	0.13	2.95	4%
Urban bus	3.01	0.07	3.08	2%
Local rail	1.94	0.01	1.95	1%
Sub-Total	76.43	13.25	89.68	15%
Freight				
Truck	49.83	4.01	53.84	7%
Rail	6.73	0.9	7.63	12%
Marine	2.41	0.78	3.19	N/A
Air	1.24	0.03	1.27	3%
Sub-Total	60.21	5.72	65.94	N/A
Unallocated	0.01	2.1	2.11	N/A
Total	184.36	32	216.36	15%

Table 2: Social Costs of Transportation in Canada

(Middle Est., \$ Billions, 2000)

Accidents	Delay	Air pollution	GHG	Noise	Total	
Intercity Passenger						
Light road vehicles	8,767.80	0	650.1	791.6	0	10,209.50
Coach bus	21.1	0	16.4	8.9	0	46.3
Rail	8.1	0	7.6	3.3	0.1	19.1
Ferry	16	0	46.2	0	0	62.3
Air	90.5	0	28.5	448.3	17.5	584.8
Sub-Total	8,903.50	0	748.9	1,252.00	17.6	10,921.90
Local Passenger						
Light road vehicles	5,482.40	5,172.90	923.7	1,458.60	0	13,037.50

Urban bus	17	0	31.3	22.9	0	71.2
Local rail	0	0	7.6	3.3	0.1	11
Sub-Total	5,540.20	5,172.90	10,18.2	1,516.70	0.1	13,248.00
Freight						
Truck	1,453.00	0	1,194.80	1,362.10	0	4,009.90
Rail	287.7	0	428.5	180.4	1.1	897.7
Marine	47.2	0	492.5	242.5	0	782.1
Air	8.1	0	1.6	23.9	0	33.6
Sub-Total	1,796.00	0	2,117.40	1,808.90	1.1	5,723.40
Unallocated	0	0	1,860.00	0	241.8	2,101.80
Total	16,239.60	5,172.90	5,744.50	4,577.60	260.5	31,995.10

Table 3: Full Cost Estimates & Activity Level								
	Financial Costs	Social Costs	Full Costs	Tonne- KM	Financial Costs	Social Costs	Full Costs	Social/Full Costs
Unit	Billion of 2000 \$			Billion	\$ per tonne-km			
Truck	49.83	4.01	53.84	244.97	\$0.20	\$0.02	\$0.22	7%
Rail	6.73	0.9	7.63	322.44	\$0.02	\$0.00	\$0.02	12%
Air	1.24	0.03	1.27	2.04	\$0.61	\$0.02	\$0.62	3%
TOTAL	60.21	5.72	65.94	569.46	\$0.11	\$0.01	\$0.12	9%

The synthesis report as well as all reports of the supporting studies are posted on Transport Canada's web site: