Algoma Central Corporation
63 Church Street, Suite 600, St. Catharines, Ontario, Canada L2R 3C4 Phone (905) 687-7888 Fax (905) 687-7840

Wayne A. Smith, Senior Vice President-Commercial
Direct (905) 687-7898
E-mail wayne.smith@algonet.com

April 14, 2015

Mr. David Cardin, Advisor,
Ms. Marcella Szel, Advisor and
Ms. Marie-Lucie Morin, Advisor
Canada Transportation Act Review Panel
By e-mail c/o secretariat@reviewcta-examenltc.gc.ca

Dear CTA Review Panel Members:

On behalf of Ken Soerensen, Greg Wight and myself, I want to thank you for taking the time to visit Algoma Central Corporation last Friday and to speak with us about our industry, the issues and challenges that we face and the opportunities that we see for Canada's domestic short sea shipping industry.

It was an appropriate place to start our discussion by describing the importance of the role played by the Canadian flag fleet in the Canadian economy and the Great Lakes – St Lawrence regional economy. We cited a number of facts and figures such as the fact that the Canadian flag fleet carries about 80% of all cargo on the St. Lawrence Seaway and that most of our work, 70%, concerns international trade with the US. We also talked about the feeder services performed by the Canadian fleet for exports of commodities such as grain, iron ore and coal and the imports of raw materials. We described the highly optimized Canadian flag fleet, specially designed for St. Lawrence Seaway trade and the substantial new investments we have made in fleet renewal and environmental improvements such as exhaust gas scrubbing technologies now in use on Algoma's new Equinox Class vessels.

We realize that you are just now speaking with representatives of the Canadian domestic shipping industry. The submissions of the Canadian Shipowners Association and the Chamber of Marine Commerce which we directed the panel to were developed with Algoma's participation and we adopt these presentations. We encourage you to speak with these two important groups.

Of particular interest to Algoma, are the following topics;

- Transportation policy in Canada needs to better consider the economic, environmental and safety benefits of the Canadian short sea shipping industry. In order to ensure that the lowest total cost of transportation is achieved in Canada and that the capabilities of

each major transportation mode are optimized, transportation planning should consider the full cost accounting of each modal opportunity.

- Canada's Coasting Trade Act is essential to sustain and support further development of Canada's domestic industry.
- Canada needs to make necessary infrastructure investments to optimize the value of marine transportation in Canada. This entails not only investing in existing infrastructure, such as the St Lawrence Seaway but also pursuing an expansion of the Seaway's operating season and enhancing the provision of Canadian ice-breaking services to facilitate expanded shipping operations.
- Regulations need to be streamlined and reduced with alignment between Canada and the US so that domestic vessels from each country can operate under similar, non-discriminating rules. We discussed the discriminatory effects of the US EPA and US Coast Guard ballast water rules against Canadian vessels.
- Canadian shipping regulations need to recognize differences between oceanic and domestic short sea shipping requirements and to consider the potential economic consequences of applying IMO rules aimed at international shipping requirements on the Canadian domestic short sea shipping.
- The Canadian marine transportation system is very expensive. Seaway tolls, compulsory pilotage (for Canadian vessels in the St. Lawrence) and Canadian Coast Guard cost recovery charges are among the many charges that affect the competitiveness of the St. Lawrence Seaway route. In order to optimize the use of marine transportation, the competitiveness of the Seaway route needs to be benchmarked against other modes and other trade corridors. Costs for unnecessary services should be eliminated. Compulsory pilotage for Canadian vessels in the Laurentian Pilotage Region, must be eliminated and replaced with a pilotage certification regime for Canadian vessels such as adopted in the Great Lakes region.
- Government should assist industry meet current and anticipated future labour shortages and to support training. Several initiatives were explained in the CSA submission.

During the course of our conversation we were asked to include study references and some of the facts and figures that we referred to. I have provided these references below including some of the most pertinent findings from the various studies. Please do not hesitate to contact us again if you have any further questions or if you wish to follow-up on any topic.

Independent Study References and Points of Interest

1. **The Economic Impacts of the Great Lakes – St. Lawrence Seaway System**
   Martin Associates, October 18, 2011

http://www.marinedelivers.com/sites/default/files/documents/Econ%20Study%20-%20Full%20Report%20Final.pdf

Highlights:

The Great Lakes – St. Lawrence Seaway System produces Cdn$34.5 billion in business revenue each year. Of this amount, the Canadian flag fleet contributes $16.1 billion, the US Flag fleet produces $16.0 billion and foreign flag vessels produce $2.4 billion (Exhibit III-1)

227,000 jobs are created by the Great Lakes – St. Lawrence Seaway shipping industry. Of this amount, the Canadian flag fleet provides 101,568 jobs, the US Flag fleet provides 107,612 jobs and the foreign flag fleet provides 17,653 jobs (Exhibit III-1).

The Great Lakes – St. Lawrence Seaway shipping industry contributes Cdn$4.7 billion in Federal, Provincial and State taxes each year. $2.0 billion is contributed by the Canadian fleet, $2.2 billion is contributed by the US fleet and $0.4 billion is contributed by the foreign flag fleet.

2. **Infrastructure Investment Survey of the Great Lakes and St. Lawrence Seaway System**
   Martin Associates, January 2015

http://www.marinedelivers.com/sites/default/files/documents/infrastructure-investment-MD_2015.pdf

Highlights:

Total capital investments committed for infrastructure renewal and modernization in the Great Lakes – St. Lawrence Seaway System has been Cdn$7.1 billion during the period 2009 – 2013. Of this amount $4.1 billion has been invested in vessels, $1.8 billion in ports and terminals and $1.2 billion has been invested in waterway infrastructure (Table ES-1).

Of the $4.1 billion in vessel capital expenditure commitments, $2.3 billion have been made by Canadian flag owners, $0.3 billion by US flag owners and $1.5 billion has been committed by International flag owners (Table ES-4).

67% of total capital investment commitments have been made by the private sector (Table ES-3).

3. **Environmental and social Impacts of Marine Transport in the Great Lakes – St. Lawrence**
   Research and Traffic Group, January, 2013

http://www.marinedelivers.com/sites/default/files/documents/impacts-exec-sum.pdf

Highlights:

Every year, more than 160 million metric tons of raw materials, agricultural commodities and manufactured products are moved on the Great Lakes-St. Lawrence Seaway System. Dominant cargoes include iron ore for steel production, coal for power generation, limestone and cement for construction, and grain for both domestic consumption and export.

In the case of Seaway-size vessels carrying roughly 30,000 tonnes of cargo, it would take 963 trucks or 301 rail cars to carry the same load. If the total cargo transported by the Combined Great Lakes-Seaway Fleet in 2010 was instead transported by truck, 7.1 million additional truck trips in the region would be required. The traffic moved by the combined Great Lakes-Seaway Fleet in 2010 would require about 3.0 million additional railcar trips throughout the region. This is equivalent to an additional 115 trains per day that would be distributed across the rail network. The increase for specific rail segments would represent as much as double the existing traffic on some rail lines in Canada and at least a 50% increase in traffic on some of the busiest lines in the U.S.

A comparative analysis of the fuel used and engine technologies deployed in 2010 by each of the modes showed that marine vessels were able to carry one tonne of cargo significantly farther on one liter of fuel than both rail and trucks. The Seaway-size fleet can move its cargo 24% farther (or is 24% more fuel-efficient) than rail and 531% farther (or is 531% more efficient) than truck.

In addition to 2010 performances, energy and emissions performances are also derived for a post-renewal scenario — after each mode's upcoming regulatory changes are met and each mode's fleet (or the engines of the U.S. Fleet) is renewed. The results showed that the marine mode could significantly widen its fuel-economy advantage over rail and trucks.
Once all modal fleets are renewed the Seaway-size fleet will move it its cargo 74% farther (or will be 74% more fuel-efficient) than rail and 704% farther (or will be 704% more efficient) than truck.

4. **Safety Profile of the Great Lakes- St. Lawrence Seaway System**
   Research and Traffic Group, March 2014

http://www.marinedelivers.com/sites/default/files/documents/Safety%20Full%20Report.pdf

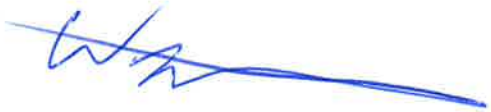
Highlights:

Key Elements of the Marine Safety Framework

1. Government regulation is extensive
2. Ship regulations are enforced prior to entry into the Great Lakes-Seaway
3. Ships are tracked by advanced traffic control systems
4. Vessel integrity and equipment are inspected during construction and throughout its lifespan
5. Waterway depths and hazards are continuously monitored and managed
6. The Great Lakes-Seaway is a compulsory pilotage zone for foreign vessels in the Great Lakes-St. Lawrence Seaway System
7. Mariners receive specialized training and are licensed by government authorities
8. Stringent tanker safety requirements are in place
9. Emergency preparedness and response measures are continuously tested and evaluated

Ships are safer than land alternatives. The rate of collision related injuries for Great Lakes Shipping is 17 times lower than the national rate for Canadian Freight railways and 70 times lower than U.S. Class 1 freight railways.

Great Lakes Seaway mariners have significantly lower workplace fatality rates than other modes based on U.S. data.



WAS/cm

cc: Ken Soerensen
Rosemary Baldwin, Secretariat
Robert Lewis-Manning, President Canadian Shipowners Association