

Council of Marine Carriers.

Summary of speaking points when meeting with Canadian Transportation Act Review Committee

January 20th, 2015

Introduction

The mandate of the Council of Marine Carriers is to further the interests and to conserve the rights of members of the Council and to promote their general welfare. The Council's role is to formulate and advocate policies, legislation and regulations that are beneficial to our membership by working with the appropriate governmental and industrial agencies. The Council maintains links in both Canada, the United States as well as abroad. We also have close relations with similar organizations such as our own including the Canadian Shipowner's Association, the BC Chamber of Shipping, the Chamber of Maritime Commerce, the Shipping Federation, International Shipowners Alliance of Canada, the American Waterways Operators and the various Marine Exchanges across the US.

Our members are principally tug and barge owners and operators but we also represent dredge owners, fish farm operations, marine law firms, insurance underwriters, naval architects and suppliers of marine related equipment.

Not only do our member companies benefit from our efforts when we succeed in achieving more sensible or appropriate regulations or standards, the whole of the domestic shipping industry also sees improvement as a result of our endeavours.

The Council of Marine Carriers promotes safety in operations and encourages the adoption by our members of modern methods, devices, rules and regulations conducive to the attainment of safety in operations and environmental protection.

Summary of Issues

We have been asked to consider not only the Canada Transportation Act, but also any other Act or regulation relevant to Canadian Shipping.

Our immediate concerns therefore revolve around four issues.

1. Protection of the Coasting Trade Act and the implications respecting the latest Free Trade agreements, specifically the CETA.
2. Support for a healthy Port System in legislative drafting
3. The uncertainty of coastal development, particularly considering the proliferation of proposals which lead to timid investment strategies of the affected industries, such as the towboat industry
4. Port Metro Vancouver port user group selection process

Marine Traffic in Western Canada

It is important to realize from the outset that marine traffic on the west coast of Canada consists of two types of trade – domestic and the international. The former is made up of tugs and their tows, ferries and Government owned vessels. This is not the same as central and eastern Canada, where there is a healthy mix of vessels of different types and sizes plying our great lakes and coastal waters. These of course consist of Lakers, tugs and tows, ferries as well as small coastal freighters and tankers. We do not have coastal freighters and tankers on the west coast. Cargo which might be carried by such vessels is loaded onto barges here and towed by tugs in the coastal, domestic trade. The West Coast Canadian Towboat Industry is also segmented within itself, with general towing vessels plying the rivers and coastline and specialized tugs being used for ship docking and limited ship escort duties. The industry is very much niche oriented. Towing consists of vessels towing astern on long lines and pushing ahead in the form of integrated tug and barge combination as well as log towing, both in the rivers and on the coasts. Cargoes transported include raw logs, pulp and paper products, aggregates sand and gravel, coal, bulk oil and chemicals, general cargo, rail cars, containers, scrap metal, mining and logging supplies and equipment, live fish and floating fish camps and personal effects. The cargo of barges is carried as packaged goods and in bulk.

International trade is made up of large, ocean going vessels including bulk carriers, container vessels, tankers and cruise ships. These vessels deliver their cargo to terminals within our ports or load cargo at those ports for export abroad. They come into port, load or discharge and leave. Occasionally they will visit more than one port while in our waters.

1. Protection of Canada's Coasting Trade

Many, if not all, maritime nations have enacted coasting trade protection legislation usually very early in the maritime history of those countries. This is often referred to as Cabotage Rules. A well-known example of this the Jones Act in the United States, also known as the Merchant Marine Act of 1920. The protection afforded by the Canadian equivalent of the Jones Act, the Coasting Trade Act, to the Canadian Domestic Fleet is vital to the survival of the marine industry. Of particular concern, if the Coasting Trade Act were to be relaxed, would be the immediate incursion of American flag vessels participating in our coasting trade, or domestic shipping routes. U.S. flagged vessels operate at far lower costs than the equivalent Canadian ones, particularly towboats, as a result of smaller crews and the consequential lower regulatory requirements (less equipment, such as Lifesaving appliances for example). Due to the difference in the method of tonnage measurement between Canada and our southern neighbour. The same size tugs in the two countries, in respect to the physical measurements of length, breadth and depth, would be of significant less tonnage in the United States than it would be in Canada. This results in far fewer regulatory and inspection requirements in the States, than would be required in Canada. Because of the strength and determined protection

of the Jones Act, it is very unlikely that we would enjoy a reciprocal freedom to participate in American coasting trade activities. Every shipowner understands that the fewer regulatory requirements the lower the operating costs of a vessel – hence the proliferation of low-cost flags of convenience internationally.

It is evident therefore that should American tugs enter into our coasting trade, the Canadian domestic marine industry would not be able to compete and would soon disappear. We are not afraid of competition but we have to have a level playing field to remain competitive.

The latest European free trade agreement, CETA, has made many in the marine industry shudder, including Trade Unions and Shipowners alike. This agreement gives the ability for not only European flag vessels, but also for *those under European control* (but not necessarily European owned), to participate in some aspects of the Canadian coasting trade. This includes container feeder services and carriage of empty containers loaded at one Canadian port to another for discharge. CETA also gives the ability of foreign dredge operators to bid for government dredging contracts throughout Canada, which includes the Fraser River here on the West Coast. At this time, Canadian dredges are aging and will be coming up for replacement soon. The Canadian owners will need to secure contracts in order to be able to accumulate the capital resources so as to invest in new equipment. Of course, this equipment will be far more efficient and effective than the present dredges, a key to remaining competitive and to obtaining success against bids from the big European international dredging companies. Thus, attempts by the Government in this case, to place small Canadian companies in the same pond to swim at the same level as the big international fish, so to speak, may very well be detrimental to those same companies that the Government is trying to assist.

2. Support for a healthy Port System

There is a healthy and growing relationship between the International and domestic sectors of the marine industry on this coast, but our ports need the wherewithal to meet this growth. Port plans made under the Canada Marine Act, recognize this relationship but tend to be shy of commitments for the necessary infrastructure to enable efficient transfer of cargoes, (eg. Containers) between deep sea ships and local trade vessels. This is a real inhibitor to the development of Short Sea Shipping. We feel that the government should be studying the potential for the development of intermodal facilities, perhaps located well outside of heavily populated areas. Such intermodal facilities should be accessible, if not by deep sea vessels, then by tug and barge, trucks and trains.

Our vision is to see containers transferred directly from a deep sea container ship onto a barge which is then towed to the aforementioned intermodal facility for distribution to the North American markets via truck and rail. An intermodal facility could be developed in locations such as Mission which is still navigable by reasonably shallow draft vessels and land is still undeveloped close to the banks of the Fraser River. This would eliminate much of the truck and rail congestion presently experienced in the lower mainland area, becoming a true short sea shipping venture. Such transportation links would also work in reverse where cargoes brought

in by train from the manufacturing centers of North America could be transhipped by tug and barge from outlying area Multi-modal yards to the deep water facilities closer to the coast.

It is said that the growth of Canada's international trade may treble within the next thirty five years, land in the Vancouver Port area is rarely available presently and therefore it is urgent that we further the search for alternatives and reserve space in more rural areas for future port and intermodal development.

Finally we feel that there is a need to look at the oversight of the ports, fewer restriction placed upon them in order for them to prosper. One way of doing this might be to remove existing borrowing restrictions.

3. The uncertainty of coastal development

It is common knowledge that more than a dozen new coastal projects, mainly associated with energy resources, such as LNG and oil shipments are being discussed and are planned to be centered in places like Kitimat, British Columbia. These projects are viewed with optimism by the marine industry. In the case of the towboat sector of course, we are anticipating a relatively new niche developing for this coast – escort tugs. Most of the energy projects include recommendations that escort tugs are employed to assist laden tankers and other high risk vessels through the navigationally complex waters of B.C.'s inside passage. It must be clearly understood that most of the tugs available today are unsuitable to perform this task. Those that are speedy enough to maintain a deep sea vessel's sea speed are not designed with the power or bollard pull needed to assist a laden tanker if the vessel became needful of assistance during its passage. Those that do possess the power required, are generally designed as berthing tugs within the sheltered waters of a harbour and generally do not possess the speed needed to be effective escort tugs. Nor do many of the tugs in the existing fleet have the proper configuration of winches and towing equipment. The design of a large coastal tug today permits the tug to tow another vessel on a long line astern of the tug at modest speeds of around 8 to 10 knots. To be effective as an escort vessel, the tug must be capable of matching the service speed of the escorted ship (15 to 18 knots perhaps), to be able to run close alongside the ship and to be able to maximise its stopping power by using indirect towing techniques.

Escort tugs are highly specialized and would not be particularly useful in a general towing role. They are expensive to build (approximately 8 to 9 million dollars) and are more expensive to operate since they would be continuously manned, 24 hours a day, with full seagoing watch capability. There are very few of these vessels available on the market to purchase second hand and so must be constructed new. Such vessels are not exempt from the payment of the 25% import duty which the Great Lakes fleet and other traditional ships have been favoured

with by our government. Canadian shipyards find it difficult to construct ships at a competitive price, as is evidenced by the fact that many Canadian ship owners are building ships off shore, both in Asia and Europe, and importing such vessels into the country. Owners find this more economical than building in Canada, even after paying the 25% duty upon importation. Again, to level the playing field new Tugs and barges should be exempt from this punitive duty which is meant to subsidize a ship building industry which itself finds it difficult to compete on the world stage.

Without some level of certainty that laden oil tankers and other high risk vessel transits will be required to use escort tugs, there is obviously some reluctance to commit the capital in the building or purchase of escort tugs, nor is there enthusiasm in investing in the development and training of crews or hiring new staff in anticipation of such *possible* new builds.

Is it time for a regulation requiring escort tugs to be in attendance on specific voyages for particular vessels? Certainly we feel at the very least that an escort tug standard should be developed. Such a standard should be referenced by regulation or incorporated into regulation and would specify both the capabilities, construction requirements, operational parameters and equipment needs for an operational escort tug. If such a standard is not brought into place, it is entirely conceivable that the trade would see totally unsuitable tugs being offered for service under the ownership of less than reputable or responsible owners.

4. Port Metro Vancouver port user group selection process

At this point we feel it is important to give you our feedback on the User Group Selection process utilized by the Port Metro Vancouver.

In our opinion the Port itself is extremely well-run and managed by a competent and professional staff. This is however, as a direct result of a committed, strategic and forward thinking Board of Directors. The Board is directive rather than managerial in style, an approach which is proven to be effective in governance and empowering to the Port employees. Operating in such a manner leads to both good management of the port and an appropriate governance stance by the board.

This concept reflects the manner by which the User Group Committee conducts its business too. The User Group Committee is unfettered in the selection of appropriate nominees and is free to submit such selections directly to the Minister of Transport with recommendations for appointment of the same. This goes a long way to appointments being given to appropriate individuals who are non-partisan and are able to work for the betterment of the Port in an unbiased and correct manner.

It is our recommendation that this system of selection be maintained without alteration since it is our firm belief that it is fair, unbiased and equitable.

Final comments

Finally we would like to voice our support in respect to issues to be raised by some of our industry colleagues.

We understand that amongst other issues, the Chamber of Shipping of British Columbia will be raising the point of Social Licence. Social Licence is generally spoken of when talking of the idea of public trust in the sincerity and honesty of a company or firm in the public eye. We also feel that our various levels of government must maintain the concept of social license and keep the concept front and center in all its dealings with the Canadian public and industry. The Council of Marine Carriers is in total agreement with the views of the Chamber in that without a definite and consistent stance being taken by the various levels of government in respect to economic development, the effects on both the Canadian public and Canadian industry will reflect irresponsible economic stewardship by our government. The marine industry and the public do not at this time receive consistent messages from our various government departments, sometimes with conflicting statements emanating from within the same department. This leads to confusion, misinformed stakeholders and needless conflicts between interest groups.

Further, we understand that our colleagues at the International Shipowners Alliance of Canada have advised you that Canada is the only western nation that does not have contain the presumption of innocence principal within its pollution legislation. Not only is this fact abhorrent and criminalizes seafarers unjustly, but such a tenet discourages investment in the marine industry from international sources and inhibits both the growth of the industry and ultimately the prosperity of our nation.