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Mr. Marc Grégoire
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Transport Canada
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VIA Email: vicki.kelly@tc.gc.ca

November 22, 2017

Dear Mr. Grégoire:

RE: International Longshoremen's Association, AFL-CIO Submission to the Pilotage Act Review

The International Longshoremen's Association is pleased to provide this submission to the *Pilotage Act* Review, on behalf of our members in Atlantic Canada. Our comments and concerns follow on the *Pilotage Act* Review Round Table, in St. John's on November 2, 2017, the Engagement Session, in Halifax, on November 16, 2017 and the *Pilotage Act Review Discussion Document* (Marc Grégoire, September 2017). We also wish to express our support for the *Atlantic Regional Submission of the Canadian Marine Pilots' Association to the Pilotage Act Review.*

The *Pilotage Act* Review heard from stakeholders at the Halifax and St. John's sessions, that **industry based in Atlantic Canada** is pleased with the service the pilots are providing, the Atlantic Pilotage Authority's consultative process, and for the most part, the costs of pilotage in the Atlantic Region. There was overwhelming support at both the Halifax Engagement Session and the St. John's Round Table, to: (1) Keep the Atlantic Pilotage Authority; (2) Reject models that proposed amalgamation of the Pilotage Authorities under one national or commercial entity, as stakeholders did not think amalgamation is in their best interest or that of Atlantic Canada; and (3) The Importance of keeping the CTA ruling that ports/pilotage areas not cross-subsidize each other. The ILA agrees with these.

We are very concerned with two aspects of the Pilotage Act Review: Governance and Cross-Subsidization, because of their potential to impact port competitiveness and cost ILA jobs in Atlantic Canada.

It is an established fact, that the Government of Canada, through its transportation policies, has significant influence on how cargo moves (transportation modes) and over which gateways. This influence may be intentional or unintentional, but the outcomes are very real, and the impact can be significant at the local and regional levels. Here in Atlantic Canada, we have felt the adverse affects more often than naught, and witnessed first hand the impact of national transportation policies that again, whether intentional or not, have switched cargo from Halifax to ports in the St. Lawrence or Great Lakes. Reductions in vessel traffic and cargo throughput, costs jobs on the Halifax waterfront.

Changing the governance of pilotage from the current regional model to a centralized model has the potential to just that, particularly when taken in conjunction with your statement that you think the Canadian Transportation Agency ruling disallowing cross-subsidization among pilotage areas should be over-turned. Atlantic Canada has the lowest pilotage tariffs in the country and we are concerned that if blended together with the Laurentian and Great Lakes, the potential will exist to cross-subsidize pilotage fees in these inland ports – which compete with Atlantic ports. The ILA is strongly opposed to this. Eighty percent of the cargo moving over the Port of Halifax originates in or is destined for points beyond the Atlantic Region. Most of this cargo is captive to CN Rail and freight rates which are not subsidized by the Government of Canada or competing gateways. As you say, shipping lines are constantly looking at their bottom line and everything counts.

In his remarks to the *Pilotage Act* Review Engagement Session in Halifax, my colleague Mr. Kevin Piper, President of the ILA Local 269, the largest of three locals at the Port of Halifax, used the example of the disappearance of the 'flour ships' from Halifax with the removal of the *Western Grain Transportation Act* (WGTA). For those not familiar with the WGTA, In February 1995, the federal government passed the *Budget Implementation Act* which, among other things, eliminated the WGTA, effective August 1, 1995. This repeal eliminated the payment of the Crow Benefit to the railways for the movement of prairie grain and related products. Shippers were required to pay the full regulated freight rates and, as a result, freight costs for grain farmers on the prairies increased substantially, doubling or tripling in the 1995-1996 crop year. In 1989-1990, the Crow benefit was $720 million, which covered about 70% of total freight costs with producers paying the remaining 30%.[1]

At the same time that the WGTA was eliminated, the federal government also amended the *Canada Wheat Board (CWB) Act* in order to change the pooling regime for prairie grains. Prior to these amendments, the price for Board grains was identical at the two pooling points, Thunder Bay and Vancouver. This price structure did not reflect increases in the cost of moving grain from Thunder Bay to export position on the St. Lawrence, as well as increases in price of grain at Vancouver, and so the Act was amended to change the point of equivalence to St. Lawrence/Vancouver, rather than Thunder Bay/Vancouver[2]. **Note, there was no amendment to change the point of equivalence to Halifax/Vancouver and as a result, the Port of Halifax lost its ability to compete with Canadian ports at Thunder Bay and the St. Lawrence for grain and flour exports. As one periodical so succinctly put it in**

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[1] Grain Transportation Policy and Transformation in Western Canadian Agriculture. Darcie Doan, Brian Paddock, Jan Dyer, Agriculture and Agri-food Canada, p. 3. http://www.sfu.ca/~schwindt/buec%20396/Doan-Grain.pdf

[2] Grain Transportation Policy and Transformation in Western Canadian Agriculture. Darcie Doan, Brian Paddock, Jan Dyer, Agriculture and Agri-food Canada, p. 4. http://www.sfu.ca/~schwindt/buec%20396/Doan-Grain.pdf

March 2017, "The Port of Halifax sees more tall ships than grain ships these days, but is home to the country's last grain elevator on the eastern shores."[3]

More recent, is the example of the Canadian Coast Guard Marine Navigation Services Fee which was introduced to recover a portion of the actual costs for ice-breaking and navigational aids. A "centralized" federal agency implementing an across the board fee in Atlantic Canada that is structured to subsidize the cost of ice-breaking and navigational aids used by carriers calling ports in the St. Lawrence and Great Lakes. The actual portion of costs that the MNSF recovers is a well-kept secret, but estimates put it at below 20 percent, and I recall the statement being made at the Halifax session that MNSF has been frozen since 1998. Customers calling at Halifax, pay the MNSF plus the full cost of the inland rail haul, which has not been frozen for the past 19 years.

We understand the *Pilotage Act* Review has hired KPMG consultants to look at six models of governance for pilotage in Canada. Only the first two models would preserve the Atlantic Region with its own Regional Pilotage Authority. **The ILA strongly favours Option #1: Four Crown Corporation Pilotage Authorities based on regional representation. We believe this model best serves the overall competitiveness of the Atlantic gateways and gives the most flexibility to respond in a timely manner to changes in industry demands and regional economic potential.**

1. **Four Crown Corporation Pilotage Authorities (Atlantic, Laurentian, Great Lakes, and Pacific). This is the structure that exists now.**
2. Three Crown Corporation Pilotage Authorities – one on Atlantic coast, one on Pacific Coast and one in the middle.
3. Two Crown Corporation Pilotage Authorities – one for the Pacific and one for Eastern Canada (merge Atlantic with Great Lakes and Laurentian regions).
4. One Crown Corporation – one central Pilotage Authority based in Ottawa. Mr. Grégoire has asked Transport Canada Marine Safety if it is interested in taking over pilotage and is awaiting their response.
5. Semi-commercialized model based on the St. Lawrence Seaway Corporation model – federal government holds the assets and the Seaway Corporation runs the day-to-day operations. The Seaway Corporation receives appropriations from the Government of Canada so is not operating on a financially self-sufficient basis.
6. Privatized model based on the NAV Canada model for air traffic control – federal government looks after regulatory aspect and Nav Canada is responsible for making policies and procedures.

[3] Eastern ports authorities see shift in export grain movement, Glacier Farm Media Special Report: CETA could draw more grains and oilseeds exports to the East Coast Published: March 31, 2016 https://www.manitobacooperator.ca/news-opinion/news/eastern-ports-authorities-see-shift-in-export-grain-movement/

In closing, we thank you for this opportunity to present our views which are based on decades of experience working vessels in Atlantic Canada. The ILA is an important stakeholder. We ask to be kept informed on the *Pilotage Act Review* as its work continues.

Respectfully submitted,

Patrick Murphy

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