



1000 - 1130 West Pender Street  
Vancouver, BC V6E 4A4  
Tel: 604-666-6771  
Fax: 604-666-1647  
Email: info@ppa.gc.ca

January 29, 2015

The Honourable David L. Emerson, P.C.  
Chair  
Canada Transportation Act Review Secretariat  
350 Albert Street, Suite 330  
Ottawa, ON K1A 0N5

Dear Sir:

**Canada Transportation Act Review**

The Pacific Pilotage Authority (PPA) is pleased to offer the enclosed updated submission to assist the panel in its important deliberations on the above-noted matter. Our submission highlights some of the key challenges facing the PPA and summarizes the unique system in which we operate on the West Coast.

I remain at your disposal to provide any further information that you may require on this matter.

Yours sincerely,

Kevin Obermeyer  
Chief Executive Officer  
/if

Encl.



## **Pacific Pilotage Authority**

### **submission to the**

## **Canada Transportation Act Review Panel**

January 2015

This submission is respectfully submitted to the Canada Transportation Act Review Panel by the Pacific Pilotage Authority (PPA) and was approved by the PPA Board.

### **Background**

The Pacific Pilotage Authority (PPA) is a federal Crown corporation and one of four Pilotage Authorities across Canada. Our mandate, as with the other Pilotage Authorities, is to establish, operate, maintain and administer in the interests of safety an efficient pilotage service within the region set out in respect of the Authority in the schedule to the *Pilotage Act*. (*Pilotage Act of Canada, s. 18*).

The PPA's area of responsibility is outlined in the *Pacific Pilotage Regulations* and is restricted to the west coast of Canada. The area extends from the Washington State border in the south to the Alaskan border in the north (areas 2 to 4) and covers all waters extending approximately two miles seaward from every salient point of land along the coast and includes the islands of Haida Gwaii (area 5) and the waters of the Fraser River as far upriver as Mission (area 1).

There are two groups of pilots carrying out the function of piloting vessels on the West Coast. The BC Coast Pilots Ltd is a private company presently consisting of approximately one hundred pilots who contract their services to the PPA under a service agreement and are responsible for providing pilotage services in areas 2 to 5. The Fraser River Pilots (presently eight pilots) are direct employees of the PPA and they provide the pilotage service for area 1.

Our pilotage jurisdiction is unique in the world in that it is the only one that licenses the pilots for such a large geographical area. This model was put in place as a result of the regional demands of West Coast trade. That this model works is evidenced by our track record of safety, reliability and predictability and the fact that we are perceived by many of our peers as a leader in maritime safety.

Safety is measured as a ratio of the number of incidents to the total number of assignments completed. From a safety perspective we have a consistent track record of over 99.9% incident-free assignments. In 2013 we had five minor incidents in 12,500 assignments coast-wide for a success ratio of 99.96%.

Reliability is measured as the number of vessels delayed against the total number of assignments with separate measures for delays caused either by pilots, dispatching errors or launch breakdowns. In 2013 our total reliability success rate was 99.98% with only three vessel delays.

Predictability is the assurance that every assignment under the same circumstances and vessel type will be handled in the same way by the pilots. This is the single biggest challenge that we face, as the pilots themselves have varying skill levels and levels of risk as do the bridge teams that the pilots support. With that said we still have over 95% of the assignments complaint-free and are actively working to improve this number by implementing standardized tug packages using bollard pull, the implementation of a quality assurance program to ensure that all the pilots will receive the same level of training with ongoing planned training throughout their careers, and a very extensive apprenticeship program. At present our annual spend on licensed pilot training is approximately half a million dollars with an equivalent sum spent on apprentice pilot training, which demonstrates the PPA's commitment to safety of the marine environment on the west coast of Canada.

The single biggest reason for supporting the present coast-wide model is the service provided to the many outlying ports. These small ports (24 in all) do not have sufficient traffic to sustain a local pilot system, and the coast-wide system allows them to receive pilotage services on demand which is integral to our province's economic well-being and in the national interest. Taken together, the primary ports such as Port Metro Vancouver and Prince Rupert account for over 80% of all the pilotage assignments undertaken on the BC coast.

As a result of this coast-wide dispatching system we have a 10-hour order time for the major ports where we have pilots based such as Vancouver, Prince Rupert, Nanaimo and Victoria, and a 12-hour order time for all other ports due to the necessity to either fly pilots to the location or send them by road. In many instances it takes over four hours for a pilot to reach the destination where the pilotage assignment will start.

### **The issue**

The West Coast, with the introduction and successful implementation of the Asia Pacific Gateway initiative, as well as the high level of interest in the many energy projects, is poised for a considerable increase in shipping in the near future. This interest in the supply and shipping of energy projects has presented the PPA (and many other entities) with some unique challenges.

Many of the projects are facing severe opposition from NGOs and local communities and we need to position ourselves to be able to deal with the many new responsibilities imposed on us as a result of this opposition. The World Class Tanker initiative is one area in which the PPA can assist the government, but to do this we need to ensure that the *Pilotage Act* will support our need to act quickly with respect to the changing issues that we face, such as the need to implement or adjust tariffs quickly which under the present wording of the *Act* is extremely difficult.

The current *Pilotage Act* was introduced in 1972 and reflected most of the recommendations drawn from the Royal Commission on Pilotage undertaken by Judge Yves Bernier. The Royal Commission was established in 1962 with its final recommendations being made in 1968 followed by the establishment of the *Pilotage Act* in 1972. The current *Pilotage Act* has seen some minor modifications over the years but has remained generally unchanged in 40 years. In the same period, transportation in Canada and more specifically, shipping has changed significantly.

Budgetary restraints in the early 1990s required the Government of Canada to review all of its systems of providing services and in this case it decided that all Canadian Pilotage Authorities had to be financially self-sufficient and operate in a more transparent and commercial fashion. The Government amended the *Pilotage Act* in 1998 to stop all Parliamentary Appropriations to the Authorities, signaling to the Authorities and the users of the system that commercial and private industry practices should be adopted in the delivery of pilotage services in Canada.

In most commercial operations, tariffs may be changed in less than 30 days when conditions require changes. However, the legislation was not adequately amended and failed to include a nimble and efficient tariff setting system to allow the Authorities to effectively deal with quickly changing commercial, economic and traffic situations. From beginning to end, the tariff approval process can easily take eight months or more. The amount and complexity of the paperwork, the numerous steps involved in the approval process can be overwhelming and include the involvement of Transport Canada, the Department of Justice, the Treasury Board Secretariat and ultimately the Governor in Council. Delays can also occur when federal elections are to be held, or when higher priority regulatory changes are being worked on.

The Pilotage Authorities are particularly susceptible to traffic swings, sometimes related to global or national economies, and sometimes related to local industry that require timely adjustment to tariffs. All of the Authorities suffer from this as we live or die by the number of ship calls in our respective areas and in 2008 the PPA experienced a 25% reduction in traffic. As a further example at the Great Lakes Pilotage Authority (GLPA), there have been traffic swings of over 10% in 18 of the last 30 years. At the Atlantic Pilotage Authority (APA), traffic has declined by 33% in the past ten years. In one recent tariff process (2013), the GLPA had to wait

to implement a tariff increase previously approved by all the users, foregoing the collection of over \$469,000. This loss in revenue required the GLPA to increase its tariff the following year by 2% to be able to continue to balance its financial position.

The 2011 and 2012 tariff proposals for the GLPA received Governor in Council approval in late June of the year, four months after publication in Part I of the Canada Gazette. This delay for each year totaled \$700,000 of lost revenues. It must be understood that GLPA had received acceptance from 100% of the users for these increases and no objections were filed.

In the last three years, the APA has had a loss in revenue of \$328,000 due to delays in tariff implementation. For each year, the APA had consulted widely with its customers and no objections were filed with the CTA. Likewise, the PPA has experienced delays in the publication of its tariff with subsequent monetary losses \$260,000 as a result of those delays even though it had letters of support from industry for the requested tariff approval. The Laurentian Pilotage Authority (LPA) has also experienced substantial delays in the approval of its tariffs. Most recently the tariff approval took over eight months and resulted in a loss of \$225,000 for 2014 alone.

The delays in implementing the tariff changes are systemic, result in inefficiencies, and create obstacles to the proper financial and operational management of the Pilotage Authorities. Moreover, the tariff once approved becomes a regulation and cannot be adjusted downward (without undertaking the regulatory process again) to provide rebates or reductions to industry in situations where the Authorities have met their financial targets earlier than anticipated. Nor does the legislation allow special arrangements in terms of tariffs to help attract new business, or assist industry in remaining or becoming more competitive.

Adapting the regulatory process for Pilotage Authorities' tariff changes to a process similar to the port authorities' framework would yield important benefits for the Authorities and the maritime industry. The Authorities could implement tariff changes within 60 days rather than eight months, and make tariff adjustments when appropriate. In addition, such a framework would allow the Pilotage Authorities to offer rebates, incentives or establish special arrangements to attract new business and assist in the competitiveness of our respective regions and the marine transportation system.

It is important to note that the above proposal for a timelier and more flexible tariff implementation process would not, in any way, remove the safeguards and check and balances intended to protect clients and the public interest. This would include the continued ability of industry or stakeholders to file objections with respect to any tariff increase or modification before the Canadian Transportation Agency.

In light of the apparent costly inefficiency, rigidity and other shortcomings of the tariff approval process under the *Pilotage Act*, the Pilotage Authorities would recommend a change to Section 33, 34, and 35 of the *Pilotage Act* to match the tariff approval process found in Sections 49 to 52 of the *Canada Marine Act*.

## **Conclusion**

In conclusion, the pilotage system in Canada is working extremely well and has been for over 40 years. This is evidenced by the safety record exhibited across the country, however as we move into a new era as one of the world's biggest energy producers, we need to ensure that we are ready in all respects to meet the challenges of this additional responsibility.

As a self-funded, self-sufficient federal Crown corporation, the PPA can no longer continue to operate or be treated in the same manner as a Crown corporation that is reliant on public funds for survival. Our operations are of strategic importance in the safe and efficient movement of vessels on our coast and as such we need the ability to act in a very nimble way to address the fast moving environment in which we find ourselves on the West Coast.

We are not broken but do need some autonomy to act more as a business with the latitude to set tariffs through consultation and agreement as opposed to Governor-in-Council approval.

This primarily refers to the tariff setting procedures and the need to be able to adjust our tariff in an efficient manner and move away from the present eight to nine month process, which is setting us up for failure by forcing us to make tariff decisions so far in advance that they rarely reflect the current business reality once implemented.