



CANADA TRANSPORTATION ACT (CTA) REVIEW

Brief presented to

The Honorable David L. Emerson, P.C.

Chair

Canada Transportation Act Review Committee

BY

ST. LAWRENCE SHIPOPERS

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1. INTRODUCTION

1.1. Presentation

St. Lawrence Shipoperators

St. Lawrence Shipoperators (SLS) is an association whose 14 active members represent a fleet of more than 130 vessels and whose more than 85 associate members provide services to domestic ship owners and operators.

Founded in Québec City in 1936, SLS' mission is to represent and promote the interests of Canadian ship owners and operators in order to support their growth and develop shipping on the St. Lawrence River. In carrying out this mission, SLS works closely with various public and private partners.

Our active and associate members are responsible for thousands of direct jobs and hundreds of millions of dollars in economic spinoffs, thus contributing to the health and vitality of the marine industry and the Québec and Canadian economies.

1.2. Canadian Transportation Act (CTA) Review

The current CTA review gives transport-sector stakeholders an opportunity to share their vision of the Canadian transportation network and determine how the latter can better stimulate Canada's future growth and prosperity.

To goal of the review is to provide an independent assessment of how the federal government's policies and programs help the transportation network strengthen regional integration, while ensuring competitive international ties.

St. Lawrence Shipoperators is directly concerned by this review, which is likely to affect all Canadian transport sector-related policies, legislation and programs. SLS wishes to contribute to the CTA review and, to do so, has decided to submit this brief.

2. RECOGNITION OF MARINE TRANSPORTATION AND ITS IMPORTANCE

Marine transportation is instrumental for the world economy: 90% of intercontinental trade is carried out by ship. In Canada, the transport sectors plays a frontline role in both national and regional competitiveness and economic development. The St. Lawrence – Great Lakes system is a vital artery for our country's economy and offers direct access to the North American heartland.

Despite the fact that the marine sector is essential to trade and trade flows the *Canadian Transportation Act* makes no mention of it. Nor is does it contain any reference to shortsea shipping¹ and the advantages it offers.

The activities of the domestic fleet operating on the St. Lawrence and Great Lakes create more than 44 000 direct jobs, generate close to \$2 billion in provincial and federal tax revenues and are responsible for local economic spinoffs bordering on \$3.2 billion (*The Economic Impacts of the Great Lakes – St. Lawrence Seaway System*, 2011, p. 45). Moreover shortsea shipping is recognized to be safer and more effective than other transport modes in terms of reducing greenhouse gas emissions (GHG), atmospheric emissions, social costs, road congestion, and road network wear and tear.

Recommendation 1:

In the *Canadian Transportation Act*, acknowledge the important role marine transportation plays in Canada’s economic activities and highlight shortsea shipping’s inherent advantages.

Recommendation 2:

Given transport’s importance for the Canadian economy, amend Transport Canada’s mission to include aspects linked to competitiveness and the economy, and give the Department policies, tools and programs enabling it to fulfil this mission.

Recommendation 3:

Implement a genuine national marine policy designed to optimize the effectiveness of marine transportation in Canada and the sector’s competitiveness in the North American context. This policy would broaden and strengthen the initiatives put forward by Québec’s Maritime Strategy.

¹ Shortsea shipping is defined as marine cargo and/or passenger transportation carried out without crossing the ocean—on lakes, river systems, major rivers and coastal waters—and competing with road and rail transport.

3. MARINE SECTOR COMPETITIVENESS AND THE DOMESTIC FLEET

3.1. Marine services fees and modal neutrality

Since the late 1990s, when recovery fees were instituted, the marine sector has dealt with a user-pay approach for use of the navigable waterway. Currently, in addition to having to pay for the services provided by the Canadian Coast Guard (buoyage, dredging, icebreaking, etc.), the marine industry pays a great many other costs (Transport Canada or Canadian Food Inspection Agency inspections, customs services, costs inherent in the system's operation).

This user-pay approach is not applied uniformly to all modes of transport. Since these modes regularly compete with one another, these inequities very negatively impact logistics chain competitiveness and marine sector development, and limit the social and environmental gains marine transportation offers (reduction of GHGs, atmospheric emissions, road congestion, road network wear and tear, risk of accidents, etc.) compared to land-based modes.

The principle of modal neutrality advocated by governments curbs marine sector growth and competitiveness, and favours land-based modes, more specifically road transport, by not taking the advantages linked to shipping into consideration.

Recommendation 4:

Replace the concept of modal neutrality, which, in fact, puts marine transportation at a disadvantage, by the concept of modal equity, which takes into account the social and environmental costs inherent in each mode.

Recommendation 5:

Give Canadian-flag ships a recovery cost reduction (buoyage, dredging, icebreaking, inspection, etc.) to reflect modal competitiveness and marine transportation's social and environmental advantages.

3.2. Coasting Trade Act and trade agreements

To implement the favourable conditions enabling Canadian businesses to be more competitive internationally, Canada works to negotiate and conclude trade agreements with many partners.

St. Lawrence Shipoperators and its members feel that, overall, these agreements are favourable for the Canadian economy. However, certain clauses may adversely affect our domestic shipping industry, like those allowing foreign vessels carry out cabotage in Canadian waters. It is

important to mention that the *Coastal Trade Act* seeks to support “domestic marine interests by reserving the coasting trade of Canada to Canadian registered vessels”.²

Giving foreign ship operators access to the Canadian market, especially in the absence of reciprocity in an agreement, favours them and harms the competitiveness of their Canadian counterparts.

Recommendation 6:

Conduct genuine consultations of domestic ship owners and operators before undertaking trade negotiations affecting the marine sector and ensure that the process is transparent, that the agreement includes reciprocity and that potential impacts on the domestic fleet are taken into consideration.

4. PROMOTING SHORTSEA SHIPPING

4.1. Promoting modal shift

As indicated above, marine transportation leaves less of an environmental and social footprint than land-based transport modes.

Shipping’s environmental efficiency and the outside social costs its use avoids make this mode a wise choice from a sustainable development perspective. Efforts should, therefore, be made to support and promote modal shift.

Recommendation 7:

Provide financial support for modal shift, taking into account outside costs linked to merchandise transport. This support could take the form of a tax credit on the outside costs avoided by businesses who opt for a modal shift or a shippers’ subsidy like the Ecobonus currently in place in many European countries.

² Transport Canada: <https://www.tc.gc.ca/eng/policy/acf-acfs-menu-2215.htm>

Recommendation 8:

Revive the Ecofreight program or set up a support program promoting environmental efficiency in the freight transport sector.

4.2. Support shortsea shipping development

Although shipping is more effective in terms of environmental and safety imperatives and helps reduce road congestion and road network wear and tear, this mode is little-known and negatively perceived. Freight forwarders and shippers are often poorly informed about shortsea shipping's potential and its social, economic and environmental advantages.

The mission of the Québec Shortsea Shipping Council, which the St. Lawrence Shipoperators coordinates and chairs, is to promote and develop shortsea shipping in Quebec and between Quebec and the rest of North America. The Council comprises marine sector associations, port authorities, ship owners and operators, longshoremen, federal and provincial government representatives, and others. It is a hub of shortsea-related information and expertise.

Recommendation 9:

Support the creation of shortsea shipping task forces which, like the Québec Shortsea Shipping Council, would work together and in conjunction with Transport Canada to develop shortsea shipping.

5. ENVIRONMENT

Be it in terms of greenhouse gases (GHG), atmospheric emissions or safety, choosing a transport mode inevitably involves social and environmental costs. The various modes differ where environmental performance is concerned. Many studies carried out in recent years in Canada and abroad, show that, per tonne transported, shipping is the most effective cargo-carrying mode both environmentally and socially speaking, generating less greenhouse gases (GHG) and atmospheric emissions and presenting fewer risks of accident than the other modes.

Nevertheless, the marine sector can always improve its performance. In 2008, the St. Lawrence – Great Lakes marine industry adopted the environmental certification program Green Marine, whose participants are committed to reducing their environmental footprint on an ongoing basis. Their progress is assessed annually using performance indicators defined by the program. Also, new regulations and international agreements and conventions are adopted to govern shipping activities and reduce the marine transportation sector's environmental footprint still further.

Recommendation 10:

Acknowledge the progress made by the shipping sector through the Green Marine environmental program by giving participating companies a discount on marine services fees.

6. INTERNATIONAL REGULATIONS AND CONVENTIONS

St. Lawrence Shipoperators and its members feel that transport activity safety and environmental protection are important and must be central to our concerns. However, it is essential that the resulting conventions and regulations, while reducing the sector's environmental impacts and increasing its safety record, maintain an operational trade context ensuring the domestic marine industry's sustainability and growth.

It is important to remember that our domestic ship owners and operators compete with the other transportation modes, whose environmental performance is often less impressive. Adding regulations and measures that increase operating costs could lead to a shift to modes that are less environmentally efficient, thereby causing more environmental impacts.

Recommendation 11:

Take into account the economic, logistical and technical impacts for domestic ship owners and operators and the risk of a modal shift to modes that are often less efficient (in environmental and safety terms) when the time comes to sign conventions and agreements and implement regulations.

Recommendation 12:

When conventions and agreements are signed or regulations put forward that threaten to jeopardize the marine sector's competitiveness, give domestic ships exemptions or implement mitigation measures enabling the marine sector to remain competitive and, as a result, not lose its social and environmental advantages due to a modal shift.

Recommendation 13:

Ease the marine sector's regulatory burden to allow the sector to be more effective and competitive vis-à-vis the other modes, while ensuring environmental protection and transport activity safety.

Recommendation 14:

Harmonize the regulations and legal framework between the different levels of government and the border states to ensure trade flows and marine sector competitiveness.

7. PILOTAGE

St. Lawrence Shipoperators recognizes that the St. Lawrence – Great Lakes pilotage system contributes to navigation safety and accident prevention. However, the existing system should be reviewed to enable the Canadian marine sector to be more effective and competitive, while ensuring safe navigation.

It is important to mention that the costs linked to pilotage constitute a significant percentage of ships' operating costs. Pilotage fees are set by regulation and approved by the Governor in Council, a long, inflexible process that leaves no room for taking the industry's needs into account.

The current rules, procedures and practices surrounding pilotage service delivery are determined by negotiating with pilots' corporations when service contracts are renewed or established by arbitration in cases involving disputes during these negotiations. The arbitrators are generally not well-placed to rule on safety-related issues. This procedure must be reviewed to ensure an objective, rigorous regulations adoption process.

Recommendation 15:

Amend the pilotage rate-setting process based on the existing process for port authorities, allowing rate adjustment, rate reductions and incentives to boost competitiveness or implement new markets. Maintain the possibility for the industry to be able to contest rate changes or increases deemed unreasonable before the Canadian Transport Agency.

Recommendation 16:

Allow Canadian-flag vessels to benefit from reduced pilotage fees, thereby enabling them to be more competitive vis-à-vis land-based transport modes.

Recommendation 17:

Give pilotage authorities more powers so that, after a long, rigorous, transparent process based on consultation and risk assessment, they can establish the safety rules and practices that apply when pilotage services are dispensed.

Recommendation 18:

In case of disputes during negotiations with pilots' corporations, limit arbitrators' powers to financial matters, compensation and the framework in which services are delivered.

Recommendation 19:

Based on section 12.3 of the *Great Lakes Pilotage Regulations*, review the pilotage certificate issuing process stipulated in the *Laurentian Pilotage Authority Regulations* to allow candidates to obtain certification if they successfully complete pilotage certificate training OR pass an exam held by the Board of Examiners.

8. ICEBREAKING SERVICES

In the context of globalization, trade flows have become a key issue and need to be addressed appropriately to ensure that Canadian shipping companies are competitive. Using the St. Lawrence – Great Lakes system must remain a reliable, effective transport solution year-round. However, the current state of the Canadian Coast Guard's icebreaking fleet is problematic and compromises marine service effectiveness.

The CCG icebreaking unit—33 years old and the worse for wear—is barely able to carry out winter maintenance of the St. Lawrence – Great Lakes corridor. The winter 2014 situation—which is threatening to repeat itself in 2015—showed that the CCG fleet is not able to face difficult ice conditions, since the transit of a number of ships was delayed or postponed,

resulting in significant economic losses for our industries and their foreign trading partners, as well as adverse effects on ferryboats and transport services in remote communities.

Given this state of affairs, it is crucial that the Government of Canada soon invest in renewing the CCG icebreaking fleet. The reputation of the St. Lawrence – Great Lakes system, which needs to offer reliable, ongoing services to meet market needs, is at stake. The scope of the trade occurring here requires a strategy that reflects its economic spinoffs for the country as a whole.

Recommendation 20:

Begin renewing the Canadian Coast Guard icebreaking fleet assigned to the St. Lawrence, Saguenay and Gulf, in order to offset the lack of equipment and equipment obsolescence. While waiting for the new ships to come into service, acquire icebreakers abroad or have the private sector offer certain services.

9. SEAFARER TRAINING AND CERTIFICATION

The Canadian marine industry's steady growth over the past decade or more and the sweeping movement of Canadian fleet renewal, in which most of the ship owners and operators navigating the St. Lawrence and Great Lakes are involved, are eloquent proof of the sector's vitality, despite the fact that its optimum capacity is under-utilized. Indicators presage ongoing development in the coming years, generating an increase in human resources needs, both in terms of worker numbers and skill diversity.

The aging marine-sector work force coupled with a significant decline in continuing education and a heavier regulatory burden in relation to marine personnel has resulted in a human resources deficit that is cause for concern. This scarcity severely curbs the growth of inland shipping since it is increasingly difficult to assemble full crews to operate existing or newly implemented marine services.

Furthermore, due to the restrictive process of recognizing foreign certification, Canadian ship owners and operators are having trouble recruiting qualified foreign seafarers wishing to settle in Canada.

Recommendation 21:

Completely overhaul the Canadian seafarer certification system in order to facilitate access to training and higher certification.

Recommendation 22:

Review the rules for recognizing foreign certification so as to simplify and speed up the process.

10. MARINE INFRASTRUCTURES

The majority of St. Lawrence marine infrastructures were built in the 1960s to meet transport needs at the time in terms of volumes, ship size and cargo type.

Markets are constantly evolving and the resulting changes require adapted transport facilities and infrastructures to meet these new realities. Québec's supply of Western Canadian oil and the development of major mining projects are good examples. Recent years have also shown an upturn in volumes in most Québec and Great Lakes ports where some facilities' capacity has been reached or is limited.

Marine infrastructures on the St. Lawrence are aging, being used to full capacity and, in some cases, no longer meeting current needs. Moreover, shortsea shipping development requires adapted infrastructures permitting better modal integration. Major infrastructure adaptation and repair work is required to upgrade these facilities and meet the sector's current and future needs. The result will be improved trade flows, reduced transit times, and enhanced Canadian transport sector competitiveness.

Recommendation 23:

Create a standing fund for infrastructure project financing in the St. Lawrence – Great Lakes trade corridor. Choosing which infrastructure projects to invest in should be based on criteria like competitiveness, enhanced trade flows, facilitation of modal shift and new market development.

Recommendation 24:

When a shortsea shipping project is deemed viable—be it economically, environmentally, socially, in terms of regional development or job creation—ensure that the government works with the private sector to set up the appropriate specialized infrastructures needed for its realization.