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Canadian Ferry Association • Association canadienne des traversiers



Canadian Ferry Association

Written Submission for the Pre-Budget Consultations in Advance of the
2019 Budget

August 2018

List of Recommendations:

- **Recommendation 1:** That the government of Canada issue a Duty Remission Order for ship repairs for passenger vessels in order for ferry owners and operators to make repairs and upgrades without passing the cost onto farepayers and taxpayers.
- **Recommendation 2:** That the government recognize credentials for foreign mariners immigrating to Canada.
- **Recommendation 3:** That the government undertake specific initiatives to encourage women and minorities, including Indigenous peoples, to join the marine sector on board passenger vessels.
- **Recommendation 4:** That the government recognize the importance of passenger vessel service in remote communities and Indigenous communities across Canada, and offer more financial support to these services.

About Canadian Ferry Association

The Canadian Ferry Association (CFA) is the national voice of the ferry industry in Canada. Our members adhere to the highest professional and operational standards and promote the safe delivery of ferry services across Canada.

CFA is a member-based organization representing Canadian ferry owners, operators and industry stakeholders across the country and internationally. CFA has more than 115 members, with our owner/operator members accounting for nearly all of the major ferry routes in Canada.

Ferries are an integral part of Canada's transportation system. Collectively, ferries in Canada:

- Run a fleet of more than 250 vessels
- Employ approximately 6,300 people directly
- Generate 22,600 jobs
- Carry more than 53 million passengers and 21 million vehicles annually

Canada's Ferries and Economic Growth

Across the country, Canada's ferries are a major driver of economic growth. Every day, our vessels bring: people to work, goods to market, or tourists to their destinations, and more.

Annually, billions of dollars worth of goods are transported using Canada's ferries.

Tariff on Ship Repair, Duty Remission Order

In 2015, the government of Canada took steps to enable ferry operators to renew their fleets in a more timely and cost effective manner. By removing the 25% import tariff on passenger vessels under 129 metres, some Canadian ferry operators were able to purchase new vessels at lower costs. These savings meant more investments in other projects, and fares kept low. In some cases, these new vessels are equipped with more energy efficient technologies, meaning these savings may be felt many times over.

Our sector was encouraged by this government action, however, it only applies to the purchase of *new* vessels. Like Requests for Proposals for new builds, RFPs by ferry operators for repairs (for example, regular refits, conversion to LNG, etc) often receive no interest from Canadian shipyards, as they are at capacity.

Essentially, this means that these projects have to be done outside Canada. A 25% duty is imposed when upon re-entry: the value of the ship is assessed before and after the refit/conversion, and the duty is charged on the difference. This costs Canadian operators millions of dollars, which could be better used in local reinvestments.

While various trade agreements would see the tariff on ship repairs being gradually removed, our sector would like to see the tariff being removed through a permanent Duty Remission Order to protect our investments, reinvest in the future and support our economy.

Given that:

- These refits and conversions cannot be done by domestic shipyards because of their current capacities;
- The urgency of some of these refits;
- The fact that the tariff will be removed in part by future trade agreements; and
- Ferries are a crucial component to the productivity of many coastal communities.

The Canadian Ferry Association is recommending that the government of Canada issue a Duty Remission Order for ship repairs for passenger vessels.

Foreign Credentials and the Marine Sector

As is common in other areas of the economy, the marine sector is experiencing job shortages. Operators are unable to find appropriately qualified people to meet their needs and the government requirements. Couple this with an aging workforce and a potentially dangerous scenario presents itself.

At the same time, foreign mariners who emigrate to Canada are facing the same issue as some other new Canadians: their credentials are sometimes not fully recognized.

In addition to a requirement to be Canadian citizen/permanent resident mariners also must hold a valid certificate of competency. Section 87-89 of the *Canada Shipping Act* notes that the Minister has the power to accept a foreign certificate in lieu of a Canadian certificate of competency as long as the foreign government has entered into a reciprocal agreement with Canada. This is adding more hurdles to the marine industry – that is already having difficulty finding qualified personnel.

The government has already taken steps to correct a similar situation in the aviation industry. Foreign pilots are not required to be a Canadian citizen/permanent resident or hold a certificate recognized in a reciprocal agreement. The only requirement is a valid Canadian commercial or airline transport pilot license.

Given that:

- Marine service providers across the country are experience the same lack of qualified personnel;
- Actions have been taken to remove barriers to allow foreign nationals to work in other modes of transportation; and
- Sections 87-89 of the *Canada Shipping Act* has already empowered the Minister to take these actions.

The Canadian Ferry Association is recommending that the government more formally recognized credentials for foreign mariners immigrating to Canada.

Women and Minorities in the Marine Sector

Similar to other industries, women, Indigenous peoples and minorities are under represented in the marine sector. Efforts need to be taken to identify and remove the barriers that these individuals face when joining and succeeding in our sector. The marine passenger vessel sector is uniquely positioned to provide insight and take steps to rectify this imbalance.

Given that this government has shown leadership on gender equity issues, on both the national and global scales, the Canadian Ferry Association is recommending that the government undertake specific initiatives to encourage women and minorities, including Indigenous peoples, to join the marine sector on board passenger vessels.

Indigenous and Remote Communities

Passenger vessel service in Indigenous and remote communities is inherently different than other parts of the country. In many ways, ferry service to isolated communities is a life line: it is how goods (including food and fuel) arrive, how patients travel to hospitals and medical centres, and a cornerstone of the local economy. Any time that vessels are not able to serve these areas (maintenance, repairs, other delays), makes a big difference in the lives of these residents and can be detrimental to the economic prosperity of the region.

It is for these reasons that the Canadian Ferry Association is recommending that the government recognize the importance of passenger vessel service in remote communities and Indigenous communities across Canada, and offer more financial support to these services.