



CFA • ACT

Canadian Ferry Association • Association canadienne des traversiers



Canadian Ferry Association

2018 Pre-Budget Consultation

Submission to the House of Commons
Standing Committee on Finance

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Executive Summary

The Canadian Ferry Association (CFA) is the national voice of our ferry sector. Our members are key components of productivity in many areas of the country – from Newfoundland to Vancouver Island.

Servicing many remote communities, ferries are often the only (or most economic) way to transport goods (such as fuel and food) and people (including residents and tourists). This is true for places such as Newfoundland, Vancouver Island, Wolfe Island, Moose Factory, and more. Ferry service in these and other regions are vital to the productivity of people and businesses.

In some places, simply put: if the ferry is not running, productivity slows substantially.

As vessels undergo regular maintenance and refits, as well as making the steps to convert existing vessels to LNG – a greener fuel – many operators must choose shipyards that are overseas as our domestic shipyards are at capacity.

Currently, these repairs are subject to a 25% import tariff. This additional charge is making ferry operators push off maintenance (or conversion) efforts or pass the charge on to fare payers/tax payers.

Introduction

The Canadian Ferry Association (CFA) is the national voice of our ferry sector. Annually, ferries in Canada move 55 million passengers, 20 million vehicles and billions of dollars worth of goods. Found in every province, ferries are a vital part of Canada's transportation infrastructure.

For some remote communities, our ferries provide essential services and transport people and goods where no other link is present (or practical), including Newfoundland, Vancouver Island, Wolfe Island, and more. These ferry-dependent communities rely on safe, consistent and reasonable ferry access for their day-to-day lives (including individuals and businesses).

Ferry service in these regions contribute considerably to Canada's productivity. We see in times when vessels are out of service that productivity in these areas dips as the necessary resources (both goods and people) are unable to get to their destination.

Status of Canada's Ferry Fleet

With the average age of ferry vessels exceeding 43 years, ferry owners and operators are having to make significant decisions: some choose to refit vessels while others purchase new ones.

Ultimately, decisions are made based on safety, customer service and affordability.

Currently, Canadian shipyards are at capacity. Some have announced that they will be able to take on more work for a number of years in the future, while others simply do not bid on any new

projects. Underlining this reality, a Canadian shipyard that also owns & operates a ferry service has their own vessels built in Europe.

The recent decision to remove the 25% import tariff on passenger vessels under 129 metres enabled some of our operators to look at replacement of ferries and use the savings to make significant contributions in local infrastructure projects that employ Canadians.

Canadian ferry owners and operators are also converting their passenger vessels to Liquefied Natural Gas (LNG). Not only is this better for the environment but it strongly benefits the Canadian economy.

However, RFPs by ferry operators for significant refits and/or conversion to LNG often receive no interest from Canadian shipyards and the projects have to be done outside of 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 charge on the difference. This costs Canadian operators millions of dollars, which could be better used in local reinvestments.

Trade agreements see the tariff on ship repairs being gradually removed. The Canadian ferry 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 proposing that a Duty Remission Order for ship repairs for passenger vessels be issued.

About the Canadian Ferry Association

The Canadian Ferry Association (CFA) represents ferry owners/operators across the country. There are more than 60 ferry operators in Canada, and CFA all major operators.