Standing Committee on Transport, Infrastructure and Communities

Tuesday, October 28, 2014

Chair
Mr. Larry Miller
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The Chair (Mr. Larry Miller (Bruce—Grey—Owen Sound, CPC)): I'll call the meeting to order.

With us in the room we have from the Canadian Passenger Vessel Association, Mr. John Chomniak and Mr. Dan Duhamel; from the Canadian Shipowners Association, Mr. Robert Lewis-Manning and Debbie Murray, thank you for being here. Welcome to all of you.

By video conference from Burnaby, we have from the Council of Marine Carriers, Phillip Nelson.

I am going to start with Mr. Chomniak or Mr. Duhamel.

With that, welcome back, committee members.

I'm going to turn it over to Mr. Chomniak. Are you going to speak first?

Capt John Chomniak (President, Canadian Passenger Vessel Association): I am.

The Chair: Okay, you have ten minutes or less, please.

Capt John Chomniak: I'll do my best.

Good morning.

Thank you for the invitation to sit with you today and to voice the concerns of the small business owners and operators of passenger vessels in Canada. While there are numerous concerns regarding SMS, safety management systems, the transportation of dangerous goods is very minimal within the association.

Please allow me to introduce myself and my colleague. My name is John Chomniak, and I'm currently the president of the Canadian Passenger Vessel Association. Here with me today is Captain Dan Duhamel, a past president and director of the CPVA and a small business owner and operator here in Ottawa.

The CPVA is an association of day boat operators, dinner cruise boats, charter boats, and overnight cruise vessel operators, as well as a small number of short-run ferry operators. The CPVA currently has within its membership 70 companies, operating 368 vessels and transporting about 10 million guests each year over our six-month operating season. The average size of a vessel within the association is less than 150 gross tons, capable of carrying fewer than 200 passengers.

The regulatory cost of operating these vessels is becoming quite cost prohibitive. That's right; the regulations that are imposed on small business owners and operators on the brink of closure. To my knowledge, there are four companies that will close their doors and chain their vessels to the dock, not expecting to operate next year.

While the safety of those on board must be paramount, we cannot continue to sign international agreements, bring them back to Canada, and try to enforce them on a domestic fleet. It just will not work.

Since Transport Canada introduced safety management systems to the marine sector in Canada, it has done what it is supposed to do: identify the risks before they become larger issues. Having an SMS in place is an extra layer of protection to help save lives and maintain vessels, all while keeping the industry safe.

While SMS is a global standard, part of ensuring that the standard is met is the auditing of the SMS program on board each vessel. At the moment, there are not any Transport Canada marine safety inspectors capable of fulfilling the audit of an SMS aboard a Canadian flagged vessel. The only persons qualified to carry out an audit of an SMS on vessels in Canada are duly authorized persons from one of the five recognized organizations or classification societies. If one of the five recognized organizations is willing to accept your vessel to be inspected by their classification society and not Transport Canada, they would require a completed SMS prior to being accepted into their organization.

However, the alternative security program does not favour the small business owner. If your vessel is not within the five metropolitan areas of Canada or was not built within the last 15 years, they do not want your vessel within their organization. Once declined, they are handing you back to Transport Canada and its inspection services regime. Again, Transport Canada is not qualified at auditing SMS programs of Canadian vessels.

It was Transport Canada that came forward to us with various SMS models and produced the framework to allow a simplified SMS to be introduced, while ensuring that the simplistic approach still worked within the guidelines of the basic SMS model. Even within this model, individual companies would have to find better ways to prevent hazards and then be able to update the SMS to include those dangers.
We, the CPVA, do believe that having a working SMS makes good business sense. However, here's the challenge. When you mandate the vessel owner-operator to comply with having an SMS, even if the Transport Canada inspector is capable of auditing the vessels, do they have the time to carry out the audit? In this day and age, when we, the owner-operators, and Transport Canada are trying to reduce the amount of paperwork that is produced, this venture actually increases the workload in an area within Transport Canada that we believe is well short of manpower.

You should look at the basis of what SMS is. This risk assessment should be looked at within Transport Canada marine safety.

We presently have one of the safest marine industries in the world and, as operators, we do not want to intentionally jeopardize that, but as lawmakers, you are in fact doing so. You are increasing the risk by allowing the number of Transport Canada marine safety inspectors to be reduced, thus allowing the risk to increase. We as business owners know that it is our livelihood on the line, and we must ensure that we stay in line or above the requirements. It is worse when there are so many regulatory bodies with their hands in our pockets, both provincially and federally, that owners and operators are having a hard time staying afloat.

We are our own economic, environmental, and safety stewards. However, we must all ensure that good working practices prevail and that we are accountable for such. But being a small business owner can lead to a blinded view of what may be right in front of you. Without this ability to have an outside source to audit the SMS and evaluate it, whether it is Transport Canada or a member of a classification society, then there is no room for improvement. If one does not have a preventive or corrective action to manage, there is no SMS in place. Then, who is liable?

With that said, the international safety management code only requires vessels over 500 gross tonnes, travelling on an international voyage, to have an SMS. Of the thousands of passenger vessels in Canada, only a handful are over 500 gross tonnes, but none of them travel internationally and have to meet those requirements. That is one issue that has to be resolved. Who will audit it? Will it be someone from Transport Canada who is familiar with the vessel, or someone from a classification society who has only worked on large ocean-going vessels and has never worked on a vessel of our size or where it is used?

Over the last few years, Transport Canada marine safety has been working with the CPVA to ensure that owners and operators begin the process of producing an active SMS. While the majority of the CPVA members have or are in the process of producing an SMS, there is still one issue that has to be resolved: who will audit it? Will it be someone from Transport Canada who is familiar with the vessel, or someone from a classification society who has only worked on large ocean-going vessels and has never worked on a vessel of our size or where it is used?

While there are issues in having enough Transport Canada safety inspectors to inspect or audit any vessel, it is also becoming difficult for owners and operators to ensure that their annual inspection of their vessels maintains some continuity from year to year. This continuity must be maintained on the regulatory side as well as the financial side of any business, especially for these mom-and-pop operators, but also the inspection services of Transport Canada.

Everybody wants a safely run and operated business. With any business, the financial aspect must be examined, but what is the true cost of operating a safe vessel?

Thank you for allowing the Canadian Passenger Vessel Association to come before you today. We look forward to doing it again to help our industry and those who ride aboard our vessels.

Before we take your questions, I would like to invite you, Mr. Chairman, or perhaps the minister, to our annual conference of the Canadian Passenger Vessel Association. We meet next month in Toronto and at that time the members come together with the regulators to discuss regulatory issues affecting the industry. We would be able to hear many of those issues first-hand.

Thank you.

The Chair: Thank you very much. Thank you for staying within the time. I appreciate that.

We'll go to the Canadian Shipowners Association, Mr. Lewis-Manning, for 10 minutes or less, please.

Mr. Robert Lewis-Manning (President, Canadian Shipowners Association): Thank you very much, Mr. Chairman and committee members, for the invitation to speak to you today on this very important topic.

I am the president of the Canadian Shipowners Association, and I'm joined today by Ms. Debbie Murray, who is our director of policy and regulatory affairs.

We're here today to talk to you primarily about safety management systems already employed by our members as well as about industry safety, and to answer questions you may have. We want to convey the message that the marine mode has a strong and more than sufficient safety regulatory regime with a track record to show it. We would propose that the system is ready to handle Canadian economic growth and commodity movement in a safe and reliable fashion. We want to ensure that any future regulations or legislation are proportionate to the risk, are not excessively burdensome, and are levied equitably against all modes of transportation.

Our member companies own Canadian ships. They are larger ships, generally over 20,000 tonnes. They employ only Canadian mariners, and they pay Canadian taxes. They operate in the very unique and demanding Canadian waterways of the Great Lakes, the Saint Lawrence River, the east coast of Canada, and the Canadian Arctic. They operate 86 vessels and last year carried over 50 million tonnes of bulk cargo, including petrochemicals, iron ore, coal, grain, aggregate, and general cargo. Our membership conducts what is called short-sea shipping in Canada and North America.
If I can leave you with any message today—and I don't want to bore you with too many acronyms—it's that we support safety management systems, and we've been using them for over a decade. It's a prerequisite for being a member of CSA that you have one or that you are moving towards having one.

Obviously, safety and protection of the marine environment are our first priorities for our membership, and that shows. Our customers expect it and demand it. It's good business to be safe. Data shows that marine safety has improved, and our track record is good and defendable, especially over the last decade.

Transport Canada data shows that there were no reported in-transit dangerous goods marine-related incidents between 2006 and 2011. In terms of collision-related injuries and fatalities per tonne kilometre, our mode had the lowest number of both from 2002 to 2011.

Most of the cargoes carried by our membership would not be classified as dangerous goods according to the International Maritime Dangerous Goods Code. However, we do carry some petrochemicals. Given the potential for future growth in this sector, it is in my membership's interest to ensure that this committee and other decision-makers are aware of the current regime and practices of my membership and the effectiveness of these.

Our membership is confident that the current safety regimes and voluntary safety management systems are appropriate to the risk presented. We do not believe, given the track record, that increased regulation or stringency is required. We think we're doing a good job and we continually review our practices.

Canadian flag vessels are governed by the domestic regulatory regime administered through Transport Canada, which is shaped by and incorporates 33 protocols and conventions from the International Maritime Organization. This very extensive safety regulatory framework covers everything from vessel construction to the training of highly qualified personnel. Our members are also required to develop emergency procedures and agreements with certified response organizations, to be responsible for our acts at all levels of management, and to have the required liability insurance coverage and access to national and international compensation funds.

All seafarers must have certificates or licences as well as general seamanship, and they must undergo regular medical exams. Transport Canada sets these standards for minimum crewing, and our vessels adhere to these standards or go beyond them. It is also important to note the close relationship between shipowners, Transport Canada, the class societies, the Canadian Coast Guard, the St. Lawrence Seaway Corporation, and ports. This is really part of our safety and marine safety culture, and the Canadian industry does it very well.

Finally, and, I would suggest perhaps most important in addition to this extensive safety system, are the people we employ. They are Canadian mariners who have been educated in Canadian colleges, and they develop a very keen knowledge of the currents and contours of our inland, coastal, and Arctic waterways. Some move from ship to shore and work in corporate offices, and some even work at Transport Canada and the Canadian Coast Guard.

Safety management systems augment our industry's aforementioned regulatory regime. The domestic commercial fleet was exempted from the implementation of SMS in 2002. Most of our domestic commercial fleet, as I mentioned, already has an SMS in place, and the remainder are working towards having one.

Transport Canada is in the process of revising these regulations to make SMS mandatory for domestic vessels, and we understand that the revised regulations may be gazetted as soon as 2015.

Our membership does not see their SMS as one of documents; they are living documents that are consistently improving, evolving, and developing, based on a rigorous audit schedule, both third-party and internal, and by keeping eyes on industry best practices as well as applying lessons learned from other modes of transport and land-based industries. These are living documents that our crews use every day.

I would not say that SMS has singularly been responsible for safety in the marine mode. Safety has been the result of previously described international and domestic legal and regulatory frameworks, industry innovation, training, and a culture of safety. Indeed, I would suggest that if anything were to enhance safety it would be the reduction of any duplication in red tape. I know the government is working towards that objective. Filling out forms multiple times, often with the same data, does not serve to reduce risk. This is something that we can all work towards improving.

We understand that the committee is considering what additional measures should be taken to further improve the adoption and integration of SMS in all transportation modes. Given that we compete primarily with other modes of transportation in the domestic and continental bulk and petrochemical market, we would argue that the adoption and integration of SMS and any other safety regime must be equitable and applied equally to all modes of transport. The burden of compliance reporting and the stringency levels must be fair and based on appropriate levels of risk. We would also advise that the committee recognize the highly evolved framework and safety culture currently in place and build upon it for further success.

Thank you again for the opportunity to speak to you today.

The Chair: Thank you very much.

For the committee's information, technicalities go beyond.... We're still hoping that we're going to be able to get Mr. Nelson by video, but in the interim we're trying to hook it up so that we at least have audio with him. We'll just have to work with it. It's out of our control. We'll leave it up to the experts.

With that, Mr. Mai, you have seven minutes.

[Translation]

Mr. Hoang Mai (Brossard—La Prairie, NDP): Thank you, Mr. Chair.
I would like to thank the witnesses for joining us today. Unfortunately, I am going to have to talk about procedural matters.

Mr. Chair, you know that the committee has cancelled three meetings at which we were supposed to discuss the issue of the transportation of dangerous goods by water. We know that the issue affects a lot of people at the moment. People are concerned and Canadians want information. This is the ideal time to get more information and to hear from witnesses on the issue. But three meetings have been cancelled, as we know.

Mr. Chair, why do we not study these issues at subcommittee meetings rather than talk about them here and waste the witnesses' time?

I would like to know what is going to happen. Are we going to be able to make those meetings up? A lot of people are concerned, whether it is about Cacouna and all the transportation of dangerous goods on the St. Lawrence, or about what is happening on the west coast. We want information.

Mr. Chair, can you explain to us what is happening?

[English]

The Chair: Certainly, Mr. Mai, and you could have had these answered a long time ago. All you had to do was call me. You have my phone number.

We have tried very hard—the clerk has tried very hard—to get these meetings. Time and again, witnesses—many of them—your witnesses as well—could not attend. There were a number of events.... I will let the clerk explain better. It was a combination of things. It sure as heck wasn't from lack of trying. We had two different meetings—three!—and I believe that the notice even went out for them, and we had to cancel because the witnesses cancelled on us at the last minute.

[Translation]

Mr. Hoang Mai: Let me mention this, Mr. Chair.

[English]

We know that initially the list that came out was done way back when we first started the study. We came up with a revised list. We spoke to the witnesses who we were suggesting and they told us that they were not contacted.

I have to admit that this is a new list that we came up with, but when we heard that there were issues and that some of the witnesses could not appear—not just those from the NDP, by the way—we actually revised the list. We have contacted the witnesses. They've said that they have not been contacted. We also see that there are no meetings.

Can you at least tell us whether or not the meetings will take place again?

• (1120)

The Chair: Yes, they will. The clerk is in the process of inviting them.

As for the new list, and this goes for all parties, the way we're dealing with the original list is exactly that: the original list. We are going to do our best to go through that. I told you, I believe at the last meeting, that if we need more witnesses we will move into the new list that you've sent us, and I believe we have some from some of the other parties. I think it's only fair that we deal with the original list first. If it turns out that some of those can't come, we will replace them with some off the new list.

Mr. Hoang Mai: For instance, what I see is that the Canadian Shipowners Association was not on a previous list.

If we deal with the next meetings with the trucking industry, can I ask the chair if we could have the full list when we deal with the transportation of dangerous goods on the road?

The Chair: I thought you had that list, Mr. Mai, but the clerk just told me that we were contacted by the witness you just mentioned, and, because we're having trouble getting meetings, the witness was invited.

Mr. Hoang Mai: Let's pretend, Chair, we had witnesses who were willing to come and who were not contacted.

The Chair: But they were not on the original list.

All you had to do was call me, Mr. Mai. If you want to make a scene here today about it, fine, but I could have answered it.

Mr. Watson, go ahead.

Mr. Jeff Watson (Essex, CPC): Chair, I will add that this is poor form, with witnesses actually here who have given their time before the committee. We could have requested a business time at the end of the meeting in order to discuss the particular issue about scheduling.

Chair, I will presume that the meetings weren't scheduled. The original work plan is still proceeding. That is, there are a certain number of meetings that will be devoted to each particular sector, as we're able to fit witnesses into that. Second, and you can clarify this for me, I believe that to make this more efficient, a decision was taken with the clerk to, if necessary, shift modes so witnesses could appear when in another mode witnesses couldn't appear, in order to keep the committee efficient and on track for our December deadline. Is that correct?

The Chair: That is correct.

What everyone has to understand is that we did our best, until as close as we could. You can't leave it until the morning of or the day before to cancel a meeting. We tried to leave our options open as long as possible. For example, for last Thursday's scheduled meeting, I believe it was even late on the Tuesday or Wednesday morning when we finally made the decision that we were not going to get any witnesses here, so we cancelled it. It hasn't been a very easy situation but, as chair, I have to make a decision every now and then. We did have one witness, but we thought it wasn't going to be a very valuable meeting, and the witness agreed to come again and will be here again. As I said, we're trying to work through a tough situation.

Mr. Hoang Mai: Again, Chair, I understand that these are tough situations. It's not a complaint about your work or the clerk's work; it's wanting to make sure that the public and people who want to come here are being heard. That's all I want to say. Again, I'm sorry for bringing up procedures.

The Chair: Okay.
Mr. Hoang Mai: For the CPVA, Captain Chomniak, you've been really critical of Transport Canada. I think you've raised some issues that have been heard before. The Transportation Safety Board has come up with pretty much what you said, saying that there is a lack of oversight and there are some issues with respect to inspectors. Even the Auditor General said that. That was more regarding rail, but we see the same problems happening here. You've confirmed that on the ground there are issues with auditors not having the capacity or even people from Transport Canada not having the qualifications. Is this something that happened a long time ago? Again, it was raised by the TSB. Have you seen any changes or any improvement, or is it the contrary? What's the trend here?

Capt John Chomniak: It's not that the inspectors we see are not qualified; they are more than qualified to do their job. One of our biggest partners is Transport Canada. It works very well with us. It knows the industry. But in the ability for the SMS to be actually audited, Transport Canada is not qualified to do it. It goes back to the lack of manpower within TC marine safety to do that reasonably.

Mr. Hoang Mai: It is of concern. I mean we've seen cuts in Transport Canada's budget. Again, if we make the parallel with rail, there are issues with inspectors on the ground. What the TSB came out with after Lac-Mégantic is that Transport Canada will sometimes audit the SMS but will not look at whether or not it's really being effective or how it's being applied.

When you speak of auditors not being qualified, can you expand on that?

Capt John Chomniak: Under current regulations, the inspectors working with Transport Canada marine safety are not qualified, and nor is it within their parameters, to audit an SMS. The only ones allowed to do so go through the classification societies, of which there are five in Canada.

Mr. Hoang Mai: What about inspections? You say that you have an inspection every year, but one of the problems is that it's not always—

Capt John Chomniak: No, every vessel within Canada is inspected on a yearly basis or quadrennially, every four years, depending on the age of the vessel. But within that inspection regime there are certain things the inspector has to look at. There is a timeline for him to keep within in order to get that audit done. For the majority of times, that inspector is away from the office; not only the local office, but he has to travel to get to the vessel itself.

Mr. Hoang Mai: Thank you very much.

[Translation]

Mr. Lewis-Manning, you mentioned the fact that safety management systems are currently being applied.

[English]

They are actually currently being applied by shipowners but they're not mandatory. You do say they're useful. I'm wondering if you can tell us why, on the ground, some of them are applying SMS. As well, can you tell us whether or not Transport Canada is actually looking at auditing the SMS and how that's going?

Mr. Robert Lewis-Manning: I'll start by saying that companies choose to voluntarily develop, implement, and maintain a safety management system because their customers demand it, quite frankly. It is a competitive advantage in our subsector of the industry. Market forces drive some of that, which is positive. It's good for the environment, it's good for shipping, and it's good for the customers and potentially the customers downstream.

Is Transport Canada auditing the voluntary SMS? I don't have an answer for you in terms of frequency. I know that the dialogue has been there since Transport Canada was considering making it mandatory, so they're looking at models that already exist. But I don't have the exact number to give you, or the frequency of that auditing. That is something I'd have to follow up on for the committee.

Mr. Hoang Mai: Yes.

You say that SMS has been in place for a long time. Was it after it became mandatory for bigger ships? When did the industry or the people you represent actually start applying or putting in place the SMS?

Mr. Robert Lewis-Manning: It's been well over a decade. It's a mature system within our subsector of the Canadian marine industry. Some of our members do operate globally, so they are required by international regulations to have ISM compliance. It's a natural transition to take that international requirement into a domestic marketplace as well. In fact it would be difficult to separate them for some of our membership, because it's just simpler to keep it in all your trades, not to divide it. It made smart sense, and we make it a requirement for membership in our association.

Mr. Hoang Mai: Maybe I can ask a question of our two witnesses. By the way, it's not that I didn't want you to be here today when I referred earlier to your organization.

What is your position with respect to the mandatory SMS? If you think it's a good tool and it's important, should it be mandatory? That's to both of you.

Capt John Chomniak: It's hard to make something mandatory. However, I will say that even before the SMS came into the whole framework of the industry, we as operators already had various aspects of the SMS in place. It just wasn't called an SMS at the time. So to make it mandatory....

Capt Dan Duhamel (President, Paul's Boat Lines, Canadian Passenger Vessel Association): I have an SMS on board my vessels.

We were made aware of a template that was being used in Australia, so we basically looked at that template and worked on it to apply it to our own operation on our vessels here in Ottawa. But prior to an SMS or even hearing about an SMS, we had something called “standing orders”, and it was very, very similar. Each and every operator had their own standing orders for their vessel, for their crew.

We comply with the regulation. We are required to run drills biweekly: fire drills, man overboard drills, evacuations. This all has to be recorded and entered in logbooks.
I found that the SMS that we had adopted from Australia, which was an accepted SMS for smaller domestic fleet operators like us, was pretty good, but it was basically putting everything we had already been doing into yet another package, another folder. There was a lot of duplication.

I represent the oldest family owned and operated tour boat company in Canada. We've been at it for a long time. We've evolved as we've had to in the different markets, and it's yet another piece of paperwork, another requirement, that was already in place and just given a different name. We still have our standing orders.

The Chair: I'm going to have to cut it there and maybe we can get a little more into that.

Mr. McGuinty, seven minutes.

Mr. David McGuinty (Ottawa South, Lib.): Thanks, Mr. Chair.

Good morning, everyone. Thanks for coming.

I want to pick up on the questions from my colleague.

Mr. Chomniak, I think I hear you saying that you're not in favour

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Capt John Chomniak: You are incorrect.

Mr. David McGuinty: Okay, well, maybe you can help Canadians understand.

Let me just get the question out, and, Mr. Lewis-Manning, I'd like to hear from you as well.

Here's my short preamble. Canadians don't understand all of this complexity around SMS. They want to know that your vessels are safe, and they want to know that their government is playing a role in keeping those vessels safe, just as they want to make sure that rail is safe and trucking is safe and transport generally is safe. They feel that governments have an obligation to get the big things right, and one of the big things is transportation safety.

With that being said, help us to understand where we should go with SMS. You don't have mandatory SMS. You don't have any auditing of any significance in place, unless you're international in nature. You're telling us that none of the five recognized organizations....

Mr. Chomniak, I want to deal with your fleet or vessels particularly, because you're either too small, you're not in an urban setting, and so on and so forth. I understand all of that.

So what do we do about this? We're all legislators here. We're trying to improve things. What do we do?

Capt John Chomniak: Well, first off, if the Transport Canada inspectors who are already present and on board were capable of auditing the SMS, that would go a long way to start.

As it is, even if the vessels are not allowed to enter into one of the five classification societies, they have to go back to that classification society to have the SMS audited because Transport Canada does not have any personnel who can audit it.

Mr. David McGuinty: Are you telling me that the SMS for each and every one of your vessels is audited every year?

Capt John Chomniak: At this time, it is not.

Mr. David McGuinty: How often is it audited?

You said the vessels were inspected.

Capt John Chomniak: The vessels are inspected every year by Transport Canada.

Mr. David McGuinty: Every year, or every four years?

Capt John Chomniak: It's every year, and then every four years the entire ship is put into dry dock and inspected.

With regard to the SMS, Transport Canada does not have the ability to audit an SMS.

Mr. David McGuinty: Because they're not qualified.

Capt John Chomniak: Because they are not qualified.

Mr. David McGuinty: What about capacity? Do they have capacity to do it?

Capt John Chomniak: I would say no and I would also say yes.

The personnel are already there on board the vessel. It wouldn't take much to continue the length of the audit to fulfill the SMS side of it.

Mr. David McGuinty: Is it your view that SMS should be made mandatory?

Capt John Chomniak: I believe fully in the process of the SMS, and I fully believe that every vessel should have one. We all work within the realms of the SMS. In response to your question about making it mandatory, I have no qualms in saying every vessel should have one.

Mr. David McGuinty: Mandatory.

Capt John Chomniak: It's the process in which to have it audited that I don't agree with.

Mr. David McGuinty: Go ahead, Mr. Lewis-Manning.

Mr. Robert Lewis-Manning: Simply, yes, it should be mandatory—

Mr. David McGuinty: It should be made mandatory.

Mr. Robert Lewis-Manning: —for our subsector of the industry. I realize there would be challenges to implementing such a regime, but I don't think any of those challenges are impossible. Industry and government adapt over time, and I'm convinced that our industry would be able to adapt, and I'm sure that capability could be developed.

Mr. David McGuinty: You said in your comments, “customers demand it.” You also said, “it is a competitive advantage” for the sector.

Mr. Robert Lewis-Manning: There are lots of reasons that justify it.

Mr. David McGuinty: There are lots of economic reasons.

Mr. Robert Lewis-Manning: Absolutely.

Mr. David McGuinty: Tell us more about those economic reasons.
Mr. Robert Lewis-Manning: The economic reasons are about maintaining your customer base and developing new ones, so that makes sense. Do I have figures to give you? No, I don't. But in overall market access, it certainly makes sense to our customers to maintain the strictest safety regimes.

Mr. David McGuinty: The challenge we have as parliamentarians is that, if we look at the budget numbers, we've seen a 25% cut between the last two fiscal years in marine safety expenditures at the federal level at Transport Canada. That's one quarter. We're now talking about moving toward a mandatory SMS, which I expect would compel proper audits with trained auditors and inspectors, trained and capable of understanding your vessels. The challenge we're facing now, as you understand it, is that they have a knock-on effect. You're still saying that, for the benefit of the sector, for the benefit of your travelling public, for the benefit of the materials and goods you ship and transport, this is a good place to go.

Mr. Robert Lewis-Manning: I am saying that. I don't want to speculate about any cuts to budget allocation and where that has happened, because there are efficiencies that have been gained as well. It's impossible for me to say that it can't be done or it can be done within the current framework. I will let you know that part of the relationships in our subsector of the marine industry are so close that they understand—they being Transport Canada and the class societies that they devolve down a lot of the inspections to, the vast majority of them—and know our industry so well that I can't imagine it would be a significant learning curve to adopt a mandatory SMS or auditing scheme.

Mr. David McGuinty: What's my time?

The Chair: Just a little less than a minute.

Mr. David McGuinty: Tell me, Mr. Lewis-Manning, about the companies that own the vessels. You said they are shipping petrochemicals, coal, grain, and other tricky materials, I take it, other risky materials, did you?

Mr. Robert Lewis-Manning: When you say risky, I'm going to make an assumption that we're talking about the consequences of a marine accident.

-The Chair: *(1140)*

Mr. David McGuinty: That's correct.

Mr. Robert Lewis-Manning: Yes, some of that. Absolutely.

Mr. David McGuinty: Would they feel more comfortable and confident from a liability perspective, from a compliance and due diligence perspective? Would they feel more comfortable working within the parameters of a mandatory SMS and proper auditing?

Mr. Robert Lewis-Manning: I don't think they'd feel more comfortable because they already go above and beyond, especially in the petroleum industry of the marine industry. There are other organizations globally and other industry organizations outside the marine industry that vet potential carriers of petroleum products. There is an incredible amount of scrutiny, and unfortunately that scrutiny came from very bad lessons like that of the Exxon Valdez, but that part of the marine industry has evolved dramatically in 15 years.

Would they feel more comfortable? No. Are there other people and other stakeholders that would probably feel more comfortable? I would say yes.

The Chair: Thank you very much.

We'll now go to Mr. Komarnicki for seven minutes.

Mr. Ed Komarnicki (Souris—Moose Mountain, CPC): Thank you, Chair.

I'll start with a first question to Mr. Chomniak. I have a note here that you said you strongly recommend the use of SMS for some of the obvious reasons we've heard. I understand you take some issue with the fact that they're not audited; your vessels are inspected, but they're not audited. I gather your concern is that the third parties that are capable of auditing are in five metropolitan areas, I think you said. So there's a lack of third party auditing possibilities. Secondly, you're saying that maybe just inspecting a vessel is not the best use of personnel by Transport Canada because they should be cross-trained to do audits as well.

Am I understanding you correctly in all of those points?

Capt John Chomniak: Very much so. The biggest issue is that a lot of our vessels within our association are not within close proximity to a Transport Canada marine centre. So the inspectors have to go out into the field to visit the ship and inspect it. And then if they have to bring in another person to audit the SMS—as I mentioned these are generally mom-and-pop operators and the cost of having that third party, the classification society, come in and audit it, with some of the quotes people have received—would essentially throw them out of business. But the ability to have the Transport Canada person continue on their inspection process and audit the SMS would be a much better use of the time and efforts of that inspector.

Mr. Ed Komarnicki: I appreciate that's being done in the rail industry. I'm not so sure why it couldn't be done in the marine industry. I would take your recommendation then that some effort be made to train the inspectors so they could indeed do an audit and you would be addressing the concern that you've raised with us this morning.

Capt John Chomniak: I fully agree with the use of the SMS. I, being in the industry for so many years, believe in it. It's just in the process. Probably the other biggest thing that we have is the lines of communication we have with Transport Canada and the inspection regime.

Mr. Ed Komarnicki: Just before I move on, I'll ask you one further question. You said, if I recall correctly, that some of the regulations might bring closure to some of your members. Do you have a specific regulation in mind that you were referring to?

Capt John Chomniak: On that I could pass you to Mr. Duhamel who could answer that question much better than myself.

Mr. Ed Komarnicki: Are you able to identify what he was talking about or—
Capt Dan Duhamel: There are quite a few regulations that have come out in the last several years that have really not been looked at by the regulators to see how it would affect the industry. There are a lot of regulations that have come out that affect the operators to the degree where they’re putting them out of business. Common sense doesn’t seem to prevail anymore. It seems like, and we’re looking at it from our end of the industry, the right questions weren’t asked. They do have CMAC, which is the Marine Advisory Council, where the industry gets to voice their concerns. It doesn’t seem to be working.

*(1145)*

Mr. Ed Komarnicki: But you’re not pointing your finger at any particular one or two.

Capt Dan Duhamel: There’s a whole bunch. But I’ve got one in particular if you want.

Mr. Ed Komarnicki: Sure.

Capt Dan Duhamel: The regulation where it’s required that the time aboard needed to keep your certificate once you’ve got your certificate as captain, mate, whatever. The time requirement at present is a total of 360 days over a five-year period or a continuous 90 days in the last year. This is a problem within our inland domestic industry. Our season runs approximately 120 days. If you have a past employee who holds a certificate of competency for either captain or mate, and now has a full-time job but still would like to work part-time within the industry and they want to make themselves available when needed.... Most tours are on a short fixed route and don’t change, as in our case on the Rideau Canal trip. It’s only five kilometres. The route, the equipment, are always the same.

This is the same for our Ottawa River cruise. Each year, when an employee returns, they are refamiliarized with the safety features of the vessels and are required to perform all the drills as required, using the fire equipment as well as the bilge evacuation and evacuating passengers. This said, because they are available only part-time, they may only work a handful of times over the course of the season. Therefore they are not able to get the required time needed to keep up their certificates.

Mr. Ed Komarnicki: So it’s just a matter very specific to you. It’s a question of time.

Capt Dan Duhamel: It’s a regulation. It’s in the regulations. It really doesn’t make sense.

There’s another one, lightship surveys. With the lightship surveys, every year an inspector will come and make you sign a piece of paper. Have you done any major changes to your vessels? No. So every five years you’re supposed to do a lightship survey. In that lightship survey, they take measurements and they have a marine architect, who we, the mom-and-pop guys, have to pay for. If there seems to be a difference of only 2% in the weight of the vessel, then you have to redo your stability tests. I spent $13,000 and I got all my tests completed and then it was another $8,000. So it was 13 and 8, do the math, to have my boats redo their stability tests.

My boats are 22 years old. We’ve never done any changes to them whatsoever.

Mr. Ed Komarnicki: Just to interrupt, because I have other questions to ask and I know where you’re going, I get your point. Measuring for the sake of regulation is not a matter of safety.

Capt Dan Duhamel: Okay. The point is while they were measuring, when they were redoing the measuring of the boat, the marine architect who was on hand, who I was paying, turned to the inspector and he said, “I could measure this boat three times and come up with three different answers.” The Transport Canada guy said, “Yeah, you’re right.”

Mr. Ed Komarnicki: Yes, I appreciate that. Good point. You’re saying if we’re going to have regulations, let’s make sure they enhance safety.

I want to move to Mr. Lewis-Manning. I guess you support safety management systems fairly significantly and I appreciate that.

The Chair: This is the last question.

Mr. Ed Komarnicki: All right. I’ll get right to the point.

How are you able to create a culture within your organization whereby the employees actively contribute to the safety management system, and in such a way that it becomes a living document and not a stagnant regulation that maybe has little to do with safety, so that it actually enhances safety?

Mr. Robert Lewis-Manning: Would it be overly simplistic to say leadership? It really is leadership. It has to be part of a company’s corporate culture from the top down. It has to be demanded and you have to empower people and hold them accountable. I know that our members have that corporate culture because it is their competitive advantage. Without it, you’re not in business.

Mr. Ed Komarnicki: Are your employees very actively involved, that you know?

Mr. Robert Lewis-Manning: Absolutely. They have to be because the masters of our vessels are operating in the most pristine environments in this country, potentially the world. So they have to. It’s good business to be safe.

*(1150)*

The Chair: Thank you.

We’ll now move to Mr. Yurdiga for seven minutes.

Mr. David Yurdiga (Fort McMurray—Athabasca, CPC): Thank you, Mr. Chair. Good morning and thank you for coming.

It’s very important we all participate in this to make our Canadian waters safe and also for people working on our various vessels. Everybody’s concerned about cost and being competitive. Would the implementation of an audited or certified SMS hinder the competitiveness of short sea shipping against American shipping companies? Is there a disadvantage? We all understand the advantage of being safe. Is there a competitive disadvantage?

Mr. Robert Lewis-Manning: I think that’s probably directed at me.

That cost is basically a sunk cost because we’ve been doing it for a long time. We’re competitive. So is it a disincentive? No.

It’s as simple as it can be. There’s no place to cut corners on safety. Regulations demand it and we enhance it with voluntary safety management systems.
**Mr. David Yurdiga:** Captain Chomniak, to which pooled liability funds do your members have access in case of an accident involving a release of a dangerous good, and to what extent do your members self-insure?

**Capt John Chomniak:** The transportation of any dangerous goods only comes into play with any of the short-run ferries that we operate within the association, and all of them are provincially run.

**Mr. David Yurdiga:** Thank you.

I'll address this to Captain Chomniak once again. Which aspect of a short operation poses the greatest risk to the safety of a person and/or property, and what legislation provisions govern the safety of Canadian port authorities operations?

**Capt John Chomniak:** I'm sorry, but could you say the question again?

**Mr. David Yurdiga:** Which aspect of port operations poses the greatest risk to the safety of persons and/or property, and what legislation provisions govern the safety of Canada port authorities operations?

**Capt John Chomniak:** There are very few port operations within the country that realistically have any problems with any tour boat operators. Probably the biggest one, when you look at it, would be the Port of Toronto, with the reconstruction process of the entire port. Safety-wise the vessel operators know that it is their livelihood, and the safety of their vessel, their crew, and essentially the passengers is at the top of the list of everything they do every day.

A port has no issue.

**Mr. David Yurdiga:** I'd like to address this question to Mr. Lewis-Manning. Can you provide the committee with some examples of how the leaders of shipping companies foster a strong safety culture among employees? I know that this was answered somewhat earlier, but for new employees coming on, and existing ones, and coming back and forth, what is the process?

**Mr. Robert Lewis-Manning:** Number one, there's close engagement from the CEO level down to the crew on a ship at every level at least annually. All the companies have what is basically called a “fleet week,” where they get together to discuss issues of safety. That starts right from the top.

There are companies that have reward competitions for new safety aspects. I'll give you a great example. One that came out of that type of culture was called the “draft information system”, DIS. It allows a ship to have a 3-D map of the St. Lawrence River through the seaway in real time. That's available to the master of the vessel on the bridge and also in the corporate office, so not only is it increasing the level of safety of the vessel, it's also effecting more efficiency in transportation in the loading of the vessel.

Those are the types of innovations that happen through that kind of corporate culture.

**Mr. David Yurdiga:** Thank you.

I have a second portion of the question. What measurable safety benefits, if any, have your members achieved in their operation since the introduction, either voluntary or by regulation, of safety management system principles in marine shipping?

**Mr. Robert Lewis-Manning:** I think the biggest measurable is the drastic decrease in marine accidents and incidents. I'm not sure if we have specific statistics here. I mentioned one in my presentation.

In looking at TSB statistics, we see an 18% decrease from 2008 to 2012. There are a lot of positive trends in the last decade that I think speak to the culture of the industry and also the regulatory environment of government.

**Mr. David Yurdiga:** How much time do I have left, Mr. Chair?

**The Chair:** You have a little over a minute.

**Mr. David Yurdiga:** Thank you.

Transport Canada has delegated part of its statutory inspection and certification functions for domestic marine vessels. What are the respective roles of Transport Canada and the classification societies in terms of inspections and certification of Canadian domestic vessels?

**Mr. Robert Lewis-Manning:** Thank you.

I think you're asking me what is the role of Transport Canada in regulating the class societies—

**Mr. David Yurdiga:** Yes.

**Mr. Robert Lewis-Manning:** —to some degree, just to make the question more simplistic, they have to audit the class societies to ensure the class societies are doing their inspection regimes properly in accordance with the government's regulations. I would say that class societies and Transport Canada work hand in hand almost daily, because the class society is the customer of Transport Canada, not of the shipowner, for example.

What comes of that is a very experienced and knowledgeable inspection regime that I don't think Transport Canada could have on its own, because they would never have the capacity to do it as often and with as much expertise as the class societies, which not only are dealing with the Canadian domestic fleet but have experience globally, because most of them are global companies, so they bring a lot of expertise to the table. I know for a fact that Transport Canada and the class societies work closely in developing new regulations or amending current regulations, so I think they're getting good value for money and good advice from that expertise that is on the dock, shall we say, and working with shipowners every day.
You can imagine that in a domestic regime our ships are in port almost every day because they're not doing long transits, so that relationship with the regulator is much closer than you would find in ocean-going shipping, where you're transiting a week or two. It's a very different relationship that you find domestically than you would internationally.

The Chair: Thank you. That concludes this.

We're going to suspend for two or three minutes in order to get Mr. Nelson on. They need to hook up, so we'll just take two or three minutes and hope they can get him on.

The Chair: We'll call our meeting back to order.

Mr. Nelson, thank you very much for joining us. It's nice to have you here. With that I'll turn it over to you for ten minutes or so for your presentation.

Capt Phillip Nelson (President, Council of Marine Carriers):
Thank you very much.

My intention this morning—or I guess it's afternoon for you folks in Ottawa—is to concentrate on the aspect of safety management systems in the marine mode.

Just by way of a short introduction, I am a master mariner. I sailed in sea on deep-sea vessels for about 17 years, mainly on tankers, bulk carriers, tugs, and ferries. Following that, I was with Transport Canada for about 16 years, both here on the west coast and in Ontario as the regional director of marine safety. For the past 11 years I've been the president of the Council of Marine Carriers here in Vancouver.

The Council of Marine Carriers is a shipowners association representing the tugboat industry on the west coast. Our vessels sail up and down the west coast of North America and into the Arctic. We have about 40 members, 30 of whom are shipowners. The remainder are affiliated members consisting of lawyers, insurance companies, and marine underwriters. The Council of Marine Carriers, as I said, is a shipowners representative, and as such we generally look after the welfare of the vessels, the companies, and the people who are manning their vessels.

I'll go back to safety management systems. The Council of Marine Carriers firmly believes that an effective safety management system is probably one of the most truly effective safety measures that a company can institute, providing the safety management system is applicable to the size and the operation of the vessel.

There is an international safety management system in existence. I'm sure you've probably heard most of this from your other witnesses this morning. I'm afraid I didn't hear their testimony, so you'll have to bear with me if I do repeat some of their information.

The international safety management system, or ISM, was developed for use on large ocean-going vessels and has proven to be effective. However, for smaller vessels, implementing the full ISM can be cumbersome and almost impossible to institute at times, mainly because of the level of information that's required to be carried on board the vessel.

In 2009 the Council of Marine Carriers entered into a pilot project with Transport Canada for what we called at that time DSM. We changed the “international” to “domestic”, so it's the domestic safety management system.

We prepared the DSM pilot project with Transport Canada throughout 2008. In 2009 five of my member companies entered two vessels each into the pilot project. Of those companies, two had already implemented ISM—they were large companies with fairly large vessels; two had no safety management system whatsoever; and one had a fledgling system. The companies ranged in size from the largest, Seaspan Marine, one of the largest towboat companies in North America, through to a mom-and-pop operation on the west coast of Vancouver Island.

For the pilot project we developed a safety management system for each individual company. We tailored it to that company, so for a large vessel, an ocean-going ship, we boiled down the paperwork from probably seven or eight binders two inches thick each for the towboats to about one binder one inch thick with about 80 pages in total. The project ran for two years. In our opinion it was extremely successful.

Upon the conclusion, Transport Canada decided not to proceed with implementing such a system in our industry. It was our hope that it would be applied across the board, across Canada, to the domestic fleet.

However, a testament to the success of that, which by the way cost about $1 million total for the five companies to implement, is that we found that safety culture within those companies showed evidence of vast improvement. For instance, I was speaking to an employee of one of the companies, on the tug. This individual advised that he had resigned from the company prior to DSM being put into place. He went to the company about one year afterwards and he said it was like night and day. The safety culture and the approach of the company to safety and the whole operation of the vessel was completely different. He was sorry he wasn't around—

The Chair: Mr. Nelson, I'm sorry to interrupt you.

Ms. Morin, are you having trouble with translation?

[Translation]

Ms. Isabelle Morin (Notre-Dame-de-Grâce—Lachine, NDP): I gather that the interpreters cannot provide us with the translation. There is too much interference.

[English]

Capt Phillip Nelson: I'll try to make it better by lifting the handset.
I just described the experience of one of the employees on board one of the vessels in the pilot project. Another company, North Arm Transportation, had a complete change in its approach to its safety culture. That is most significant for them, since they were one of the companies that had previously implemented ISM.

A third company advised me that, at the beginning of the project, it had been having a lot of small accidents on board its vessels. It was having warnings from its insurance companies and its underwriters that it might not be able to have insurance coverage in the future. It went from that to getting a discount on its insurance from its underwriter, two years later.

A testament to the project was that all five companies continue to this day [Inaudible—Editor] and enhance their safety management systems, even though there is no obligation by law for them to do so. They've all seen safety, efficiency, and financial gains as a result of that.

At the end of the project, we had a meeting with Transport Canada and discussed the project and the outcome with all the companies. We proposed at the end that all commercial vessels in Canada, regardless of size or area of operations, should have an appropriate safety management program in place.

I stress the word appropriate. It is no good trying to force the veritable round peg into a square hole. I think it's more like trying to get a round peg into a triangular hole, which is even more difficult. By that I mean trying to put in place, for instance, the international system and have that in place on a small, two-person towboat running on the west coast of Vancouver Island. It has to be an appropriate system that is tailored to the size of the company, the size of the vessel, and the operations of that vessel.

I'd like to point out that both the Canadian Transportation Safety Board and the U.S. National Transportation Safety Board fully support the establishment and the operation of safety management systems. They see them as critical safety measures.

Unfortunately Transport Canada chose not to require all commercial vessels to implement SMS but have moved to a three-tiered approach where SMS is voluntary for smaller vessels and not monitored by Transport Canada. I don't think having a voluntary system would be as effective as having one that is audited. We did propose to Transport Canada a small vessel compliance program based on our pilot project; however Transport Canada did not see fit to implement it. It put into place since then, though, an alternate delivery program whereby classification societies perform both approval and inspection services on the government's behalf, and they're authorized by Transport Canada to do—

The Chair: Mr. Nelson, you're fading out on me. Is there something you're doing or not doing on your end? I'm just wondering what the issue is.

Capt Phillip Nelson: Is that a little better?

Transport Canada has brought into place the alternate service delivery program, and they also established what they call the blue decal program, which they intended to replace safety management systems for smaller vessels. The blue decal program is a voluntary self-reporting system that seems to have very little oversight or monitoring by Transport Canada.

In conclusion, then, I would like to stress again that the Council of Marine Carriers is a strong supporter of an audited safety management system approach, and one that is appropriate to the size of the vessel and the nature of the operations.

I'd like to thank you very much for the privilege of talking to you this morning. I'm ready to answer to any questions you may have.

The Chair: Okay, thank you very much, Mr. Nelson.

We're going to continue with our questioning. You'll remember that there are two other witnesses with us here live, so not every question will be directed at you, although they could be. I'm just going to ask the members, any time that they ask you a question, to make sure that you understand it's for you.

With that we go to Ms. Morin for five minutes

[Translation]

Ms. Isabelle Morin: Thank you, Mr. Chair.

Given the interpretation problems we are dealing with here, could you tell me again what your recommendation about the size of vessels is?

[English]

Capt Phillip Nelson: Yes, of course.

Our recommendation was that all commercial vessels in Canada, regardless of size, should be required to implement a safety management system in the operation of those vessels.

[Translation]

Ms. Isabelle Morin: Thank you very much.

I am going to go back to Mr. Lewis-Manning now.

According to what you say, the reduction in accidents is clear. The statistics are encouraging and we are on the right course.

But I am wondering how we can include the environment around the vessel in the safety management system. Is the increasing number of vessels on the St. Lawrence, for example, going to have an impact on the number of marine accidents? How can we be sure that the number of vessels is included as a factor in the safety management system?
Mr. Robert Lewis-Manning: To answer your question as briefly as possible, in order to get all vessels involved in a safety system, number one, they're required to be part of a safety system now through regulations, whether they are international operators or domestic operators. In order to increase the ability of an operator or an owner to be part of a dynamic safety regime, such as a safety management system, we are supportive of having that as a regulated entity by Transport Canada. I am not trying to tell you that there is a problem right now, and you referenced a specific region, but I appreciate that there is development happening in that region and that the ports and operators in that region take that development seriously. SMS would be one further step to providing confidence that this is indeed happening.

I hope that answers your question.

[Translation]

Ms. Isabelle Morin: Yes. Thank you.

With a vessel-based management system, what will the specific impact of increased traffic be?

I mentioned the St. Lawrence, but the same could apply to any waterway anywhere.

When marine traffic increases significantly, how do we deal with that on the ships?

* (1220)

[English]

Mr. Robert Lewis-Manning: Are you making a correlation between having an SMS and increased traffic?

[Translation]

Ms. Isabelle Morin: Yes.

[English]

Mr. Robert Lewis-Manning: I think that the two work well together. If marine traffic increases, no matter where that increase is, having a safety management system enables and leverages a culture that is mandated through a process to also learn, so the risk assessment process, the learning, and the change in innovation are enabled by having a safety management system. The two work well together.

[Translation]

Ms. Isabelle Morin: Okay.

Looking at this another way, Canada signs international conventions. In 1978, Canada signed the IMO Convention on Standards of Training, Certification and Watchkeeping for Seafarers.

Could you tell me how all the training provided is applied? How will it contribute to the development of safety management systems? In addition, how does Canada make sure that it is applied properly?

[English]

Mr. Robert Lewis-Manning: Thank you for that question. There isn't a simple answer. I'll try to make it as simple as I can.

The convention, the STCW that you refer to, has just recently had an additional protocol, and Transport Canada has implemented amended regulations to reflect the changes in that protocol to STCW. The enforcement of that convention with the additional protocol is the responsibility of Transport Canada, which it does through its inspection regime and/or class societies, depending on which regulation it is. I have confidence that it is being achieved.

I think your question also asks if part of that is related to safety management systems. From my understanding of it, it is not at this point. STCW deals primarily with the certification of people and their capabilities and the standards of their employment in ships.

The Chair: I'm sorry, your time has expired.

We'll now move to Mr. Braid for five minutes.

Mr. Peter Braid (Kitchener—Waterloo, CPC): Thank you very much, Mr. Chair.

Thank you to our experts for being here today.

Mr. Chomniak, I want to start with a question or two for you. In earlier responses you've had this concern that Transport Canada is carrying out inspections of ships but third party classification organizations are doing the audits of the safety management systems. You think perhaps there's a disconnect there and that maybe we can explore the possibility of bringing those two things together.

I just want to ask if you could help me understand the difference between the two, between the Transport Canada inspection and the SMS audit. Draw us a kind of picture of the checklist for each, if you will. How are they different? How are they the same?

Capt John Chomniak: The Transport Canada inspector comes and inspects either the crew or the ship itself. The classification society would come to inspect the SMS and audit the different processes and sections within the SMS unless the classification society were inspecting the vessel as well, but the classification societies have the ability to say whether or not they wish to bring those specific vessels into their association because their charters will limit the vessels that they are able to take.

Mr. Chomniak, I want to start with a question or two for you. In
earlier responses you've had this concern that Transport Canada is
carrying out inspections of ships but third party classification
organizations are doing the audits of the safety management systems.
You think perhaps there's a disconnect there and that maybe we can
explore the possibility of bringing those two things together.

I just want to ask if you could help me understand the difference
between the two, between the Transport Canada inspection and the
SMS audit. Draw us a kind of picture of the checklist for each, if
you will. How are they different? How are they the same?

Capt John Chomniak: A lot of the SMS will go through the
different aspects of the ship, and are very safety oriented, as well
having the crew there to perform anything with the SMS.

Probably the biggest difference is the cost factor between the two.
The cost for the classification society, from what I have seen, is
somewhere around tenfold what the TC inspection process would
cost.

* (1225)

Mr. Peter Braid: Okay. And much of your concern centres around that, around the cost impact to these businesses.

Capt John Chomniak: Yes. We fully believe in the process of the
SMS; it's the process leaving Transport and the cost being charged to
the individual.

Mr. Peter Braid: Great. Thank you.

In your opening presentation, I think you said that Canada has the
safest, or one of the safest, marine systems in the world.
Capt John Chomniak: Correct.

Mr. Peter Braid: That's obviously very encouraging and reassuring to hear.

I wonder if you can help us understand in terms of a comparison between Canada and other countries or other jurisdictions. In other countries, when a tragedy with respect to a passenger vessel occurs, what are the gaps there? What are the protections we have in Canada that make our system safer from a regulatory perspective, from an SMS perspective or whatever the case may be? What are the differences and what are the gaps? And why is it so much better here?

Capt John Chomniak: Probably one of the biggest ones in the news today is the tragic loss of the South Korean ferry, where the government is looking at the death penalty for the captain. Would that happen here? Let's sure hope not.

Mr. Peter Braid: We don't have the death penalty.

Capt John Chomniak: Exactly.

With regard to the process in which an inspection is dealt with, the safety of those concerned in operating vessels here in Canada is extremely high. We know it is our livelihood, and we want to have the safest vessels operating.

For me to speak on another country's inspection processes, I couldn't do that, I'm sorry. But even if you look at our closest country, the U.S., the coast guard inspection processes in the U.S. and Canada are very similar in nature. As a matter of fact, many of them are following down the road beside one another to ensure that those processes become very similar.

Mr. Peter Braid: Between Canada and the U.S.?

Capt John Chomniak: Correct.

Mr. Peter Braid: So they should, because Canadian ships are going into U.S. waters and vice versa, right? There needs to be harmonized processes to the extent possible. Would you agree with that?

Capt John Chomniak: I would. For some things there's an economic look at the regulation for the businesses at hand to ensure that there isn't undue stress on the business because of that.

Mr. Peter Braid: Great. Thank you.

Mr. Lewis-Manning, in your opening presentation I believe you said that the current safety regime is appropriate with respect to the possibility of increased transportation of petrochemicals. Could you just explain why you think that is the case?

Mr. Robert Lewis-Manning: I think the number one enabler in my statement is the fact that between industry and government we have a very close relationship in conducting risk assessments. We have a very strong pilotage regime in Canada, where the vast majority of the mariners who pilot vessels that carry petroleum products have been educated in Canada. The vast majority of their experience has been earned in Canadian waters. They are very, very adept at navigating very unique places like the St. Lawrence River, the Great Lakes, and all three coasts of Canada. They bring an incredible amount of experience. That's a capability that we should be promoting and protecting.

That's the first one. The second one is the strong relationship between the industry, the ports community, the communities where we sail, and the government regulators. It is close. Canada is a huge country, as we all know, but the marine community is very, very connected. The types of trades that we do deliberately bring those stakeholders together.

I think the government...and when I say “government”, I'm talking primarily about the coast guard, CBSA, and Transport Canada. Theirs is a very collaborative relationship and process that demands consultation. For example, I'm flying out of here immediately after this and I'm going to Windsor, where I'll be meeting with the entire eastern industry, the coast guards of Canada and the U.S., and Transport Canada to talk about the icebreaking season that's upon us. It's not that far away.

That's the type of collaboration that happens all the time, which I think brings a high degree of engagement and safety to our industry.

Mr. Mike Sullivan (York South—Weston, NDP): Thank you to our witnesses.

Mr. Chomniak, you don't transport a lot of dangerous goods, as you said in your opening. Your interest is in making sure that your members are able to have a safety management system that is audited regularly and essentially inexpensively because they go out of business if they have to pay the fees that Transport Canada, by contracting it out to the classification societies, is effectively letting you pay. If they don't pay the fees then they don't get audited and it's not as safe.

Capt John Chomniak: It's not that it's not as safe but that any SMS in order to be active and functional must be audited.

Mr. Mike Sullivan: Exactly.

Mr. Lewis-Manning, can you give us some examples of the kinds of cargo that are dangerous? Are nuclear cargoes transported on the Great Lakes? Is there as a huge volume increase in transportation of petrochemicals as there is in rail, or is it basically the same?

Mr. Robert Lewis-Manning: To answer your first question, no.

Our members are not transporting dangerous goods such as hazardous nuclear byproducts. There may be small quantities of radioactive things. Your watch has some degree of radioactivity in it. 

Mr. Mike Sullivan: But not as cargo?

Mr. Robert Lewis-Manning: Not as cargo.

Regarding your second question and whether there is a dramatic increase, the answer is no. The levels have remained fairly consistent to date, but I am anticipating that some petroleum products will increase in the future. And certainly that doesn't seem to be a secret; that's public knowledge.
Mr. Mike Sullivan: One of the things we discovered from listening to the rail industry is that they had not actually done risk assessments, on closing down lines, for example, in anticipation of the 500-fold increase in transportation of petrochemicals or petroleum products.

I've heard you say on several occasions that there are risk assessments done on a regular basis by the industry.

Is that done to please your insurers or to please Transport Canada? How do those risk assessments take place, and will you be doing one if the volume of petrochemicals is going up?

Mr. Robert Lewis-Manning: Those risk assessments are done by a number of organizations, for a number of different reasons.

Certainly when you're talking about petroleum products, the customer is definitely demanding it. It's a very significant vetting process that happens for carriers that ship petroleum products.

From a shipowner's perspective, that risk assessment is done to make sure that the business is viable from both a safety perspective and an economic perspective. It doesn't make any sense if one of those isn't supported.

I think there are other organizations that conduct risk assessments based on anticipation. A large, semi-political regional body called the Great Lakes Commission recently did one on the carriage of petroleum products on the Great Lakes. I think that process—maybe not official by any oversight by a single government agency—is happening in anticipation of increased traffic with petroleum products.

Do we anticipate that there will be more that is necessary? Absolutely, yes. Whenever you're operating with a different type of vessel, a different cargo, or in a different operating environment, it has to happen. It's the culture of the industry to want to do that.

● (1235)

Mr. Mike Sullivan: Is that something that ought to be supervised by Transport Canada? Is that something that this SMS itself would call for?

Mr. Robert Lewis-Manning: Some of it is already enshrined in regulation and procedures by Transport Canada. A classic example is a compulsory pilotage regime that exists all over the country. Whenever there is a trigger for one of those changes that I described earlier, the pilotage authority that is responsible for an area of waterway and/or a port conducts a risk assessment on the appropriate level of risk mitigation for that waterway and/or port. There are many of them happening right now across Canada.

Mr. Mike Sullivan: We are given to believe that the transfer facility is probably the most dangerous place in terms of a potential spill. Where are the transfer facilities for the Great Lake shippers, for petrochemicals for example? Is it all Sarnia or where does it happen?

Mr. Robert Lewis-Manning: The vast majority is Sarnia. It's been operating for some time. There are some smaller, I won't even call them hubs, but stations in Lake Ontario. But those would be the major ones.

Mr. Mike Sullivan: Is there talk of building new ones?

Mr. Robert Lewis-Manning: It would be very speculative. There seems to be noise, is the best way I could describe it. I wouldn't say there are any deliberate moves by our membership at the moment to look at increasing that trade within the Great Lakes.

The Chair: I'll have to cut you off there, Mr. Sullivan.

I'll now go to Ms. Young for five minutes.

Ms. Wai Young (Vancouver South, CPC): Thank you very much for being here today. Hearing about the diversity of what you do has certainly been very interesting.

I recognize of course that Canada is a great big country, and there are different waterways and systems: Pacific, Atlantic, etc. Can you share with us very briefly, each of you including Captain Nelson, where the low-hanging fruit is here? I'm hearing we have good SMS systems in place. They are working. We're here today to hear from you experts how we can make it better. Is it in the implementation? Is it in the fact that it's very diverse? Where can you point to for us and say these are one, two, or three things we can do to make it better?

Mr. Robert Lewis-Manning: I think you've asked a great question, and I'm hoping the committee has picked up on the theme that one size doesn't fit all, that we have a very diverse marine environment, and industry stakeholders have different challenges. From my perspective, probably the number one thing that could happen if the government decides to implement a mandatory safety management system is understanding that the implementation will look different for different stakeholders within the same marine industry and examining what could be included in such a regime.

I don't have a shopping list for you today, but there may be aspects of our current regulatory environment that would naturally fit within a safety management system to reduce the bureaucracy of implementing, changing, adopting, and auditing such a system. I think that is worthy of some further dialogue, but we're getting into the real details of implementation if that is the policy decision.

Ms. Wai Young: I would imagine there is a series of manuals or something like that where people can self-select and say they're this kind of vessel or that kind of business and based on that, this is the kind of SMS they would need to develop, implement, and be monitored or audited on.

Does that exist?

Mr. Robert Lewis-Manning: I've heard from the other two witnesses, having not discussed it in any great detail with them in advance, that in some ways this is happening by default in a voluntary system.

Ms. Wai Young: But it's not happening in a proactive way whereby a government is assisting or supporting you to make the access and the interface with bureaucracy easier and more understandable, quicker and more efficient?
Mr. Robert Lewis-Manning: I think in certain cases they are but again because it's not mandatory, it's not something that they're putting their resources into.

I'll let some of the other witnesses speak.

Ms. Wai Young: Mr. Chomniak or Captain Duhamel, do you have a quick example?

Capt Dan Duhamel: In our situation, we have an SMS. When hired, every employee is made familiar with the vessels but at the same time, they have to sign off on our SMS. Once their name is on that piece of paper, a Transport Canada officer will say they are so and so, and see they have signed off on the SMS. They ran it, they understand it. They don't have any problems with it, simple as that. Not a lot of bureaucracy. In a small mom-and-pop operation, you don't need a binder that thick. We've already got enough paperwork. But if you have a good SMS based on your equipment, nothing generic, everything they're going to use within that business, that's enough. That's what should be implemented.

Ms. Wai Young: I understand, based on what you are saying today too, though, it's not just the fact that you have a very simple and direct system that is excellent but also that you appear to have a very strong and established safety culture within your green safety—

Capt Dan Duhamel: That's a culture that's been developing. We formed our association in 1977. I was one of the original founders of the CPVA, and it was to educate, because we're carrying the most valuable cargo of all—humans. We formed this association so we could better educate ourselves and at the same time try to work along with some of the regulators, because a lot of our regulators—and this has been shown time and time again—have a blue water mentality. We're domestic.

They've made us carry some equipment on board our vessels. I'll just name something—parachute flares. I could have burned down the city of Ottawa, but I had to fight for two weeks with our regulator, asking why I needed parachute flares on my boats in Ottawa. If I use one, they burn right to the ground. I'm going through the Rideau Canal and the narrows and I've got those beautiful homes on both sides of the canal. Why would I even want to use a flare? So, they said that a hand-held flare was fine. But I have to go for a board decision every year.

Like I said, common sense isn't necessarily common, and it's too generic.

Ms. Wai Young: Okay, maybe we can flag this, because this is actually excellent. These are the kinds of examples we'd be very interested—

Capt Dan Duhamel: Well, it's the same thing. I have a question from Ms. Morin about increased traffic with an SMS. Well, you know what? We have rules of the road for the Great Lakes, and we have our collision regulations, and every operator on board a commercial vessel has to know those rules of the road. We're talking duplication again.

Ms. Wai Young: Okay. Do we have time to move on, Mr. Chairman?

The Chair: No.

Ms. Wai Young: Okay. You can submit all this in writing, please. Submit your low-hanging fruit ideas to us in writing.

Thank you very much.

The Chair: Okay. Thanks, Ms. Young.

The last five minutes, Mr. Watson.

Mr. Jeff Watson: Thank you, Mr. Chair.

Thank you, of course, to our witnesses for participating in hearings regarding the marine mode, and as we're looking at how, if possible, to improve safety management systems and the transportation of dangerous goods regime in Canada.

Before I ask some questions, I just want to clarify some details from some questioning earlier by Mr. McGuinty, related to what he mis-characterized as spending cuts in marine safety. I've done some looking at this. What he calls cuts, 80% of the number he quotes are actually efficiencies, or money saved and not spent, because they got more efficient in how they deliver in the back office. Things like reducing travel expenses for bureaucrats and reducing professional services costs are not decreases in the safety regime spending. Also, of the other 20%, we have transfers out of the department to other departments, so there is an increase in other departmental budgets for functions like environmental assessment responsibilities. It's hardly a reduction in safety. I just felt it was important to have the proper characterization, that what they did was 80% savings, delivering greater value for the service, and almost all of the other 20% ending up being increases in other departmental budgets. That's just for the public record.

Turning to the matter at hand, can we get some clarification. By what class do we divide our inspection regime here? If I understand it correctly, if ships are 24 metres and above there's a particular regime, or you can obtain your inspection through classification societies. What happens below that particular threshold?

○ (1245)

Capt John Chomniak: The size of the vessel doesn't matter. You can still ask a classification society to opt in. But it's the classification society that has the ability to say, thank you for thinking of us, however, we don't like what you have, so there are four more down the road, you can go and ask them.

Mr. Jeff Watson: Would you be recommending that they be compelled to take on additional sized vessels in their inspections?

Capt John Chomniak: The problem is that their charters, from wherever their headquarters are, stipulate who they can and cannot take in as members.

Mr. Jeff Watson: I presume, if we impose by way of regulation, then what they should be inspecting is within Canada.

I'm simply asking the question whether that's a route to go or not.

Capt John Chomniak: I think Captain Nelson wanted to weigh in on that.
Capt Phillip Nelson: Thank you. My industry consists largely of vessels less than 24 metres. We have quite a few vessels over that, but most vessels are less than 24 metres. Transport Canada implemented a program called the blue decal program, which is largely self-reporting and inspected by Transport Canada. They do visit occasional vessels that have been issued a blue decal, but it's not a complete system. This is where SMS, an appropriate one to the size of the company and the vessels and their operation, would be most beneficial.

Mr. Jeff Watson: When you say “appropriate to the size of the vessel”, are you suggesting that it be not as comprehensive or not have what might be the imposed requirements on a mandatory SMS for a larger size?

Capt Phillip Nelson: Yes.

Mr. Jeff Watson: What essential items would you have in an SMS for a smaller vessel?

Capt Phillip Nelson: SMS is a system that covers the safe operations of the vessel and of the company. That's from the office, to the wheelhouse and maintenance yard, to the engine room. It covers the whole operation. Only elements within the actual operation of that vessel need be covered in an SMS. So it would be safe work in practices. We have to remember that all SMS systems then fold in the appropriate regulations, so obviously those vessels are going to have to comply with Transport Canada's regulations, in addition to anything the SMS requires.

Mr. Jeff Watson: We essentially have a hybrid system. If you're under the classification society, is that a system where you report to them? Of course if you're not under that system, Transport Canada somehow has to report to you. I imagine that's a difficult system to try to master considering both the diversity and the size of vessels, and the broad geography. Is there a better way to do this?

Capt Phillip Nelson: I think there is and it would help to go into some detail in this conversation, which I don't think you have time for.

Mr. Jeff Watson: Can you do it by way of written submission to the committee through the chair?

Capt Phillip Nelson: Quickly, yes. We did put in a written proposal to Transport Canada and we can certainly dust that off and hand it into the committee.

Mr. Jeff Watson: Thank you.

The Chair: We do have a couple of minutes left.

Mr. Nelson, the name of your organization implies that all marine operations and ships come under you. We've got the Canadian Passenger Vessel Association here. We've had the Canadian Ferry Operators Association and the Canadian Shipowners Association. Can you explain exactly, give me some examples, who your members are, or do they encompass all of them?

Capt Phillip Nelson: No, we don't generally have passenger vessels, for instance. Our members operate towboats. They tow barges and bulk cargoes around the coast of B.C. mainly. There's everything from petroleum products to lumber. They also tow logs up and down the coast. Among our members we have the largest private ferry operation in Canada, but that is all cargo—it's not a passenger ferry operation—so they take dangerous goods on board their vessels between the lower mainland and Vancouver to Vancouver Island.

The Chair: Thank you for that.

With that, I believe we have about two minutes each, and just to remind the members and the witnesses that this is two minutes for the question and answer. I have to be strict because of the time restrictions.

Mr. Mai.

Mr. Hoang Mai: To the Canadian Shipowners Association, I saw in your brief that you submitted to the finance committee regarding pre-budget consultations some of the things that you asked for. One of the main concerns out of five recommendations was with respect to the Canadian Coast Guard fleet asking for a renewal strategy. You've dealt a lot with them. Can you explain to us what the challenges are and how it affects our safety?

Mr. Robert Lewis-Manning: The Canadian Coast Guard provides our membership with primarily icebreaking services. They do a lot more for other stakeholders, but that is the service that we use the most of—

The Chair: We have a point of order from Mr. Watson.

Mr. Jeff Watson: Yes. The focus of the study is on safety management systems and the transportation of dangerous goods regime, not the coast guard, if you will, unless he's asking whether the coast guard has an SMS or transports dangerous goods.

Mr. Hoang Mai: Well, if Mr. Watson had followed what we talked about, we have here the Canadian Shipowners Association, which is transporting dangerous goods. They are saying what is important for them. My question was regarding safety. If you have a ship that is carrying dangerous goods and it needs to have coast guard protection to make sure we are safe, I think that's important.

The Chair: Please continue.

Mr. Robert Lewis-Manning: Yes, that service is important to our safe transit of vessels and especially for conditions under ice.

We know that the coast guard has a very good strategy and plan in place to renew its fleet. We're supportive of that renewal strategy. We realize that it is a very complex undertaking to build ships, so we are trying to find ways to make sure we can be supportive of the fleet renewal strategy of the coast guard.

The Chair: I think we are now straying from where we are. Acquisition of new ships or acquiring new ships really has nothing to do with it. If you want to speak specifically to safety and how the coast guard deals with it when necessary, that's fine.

Mr. Hoang Mai: Maybe I can clarify my question if I have time.
When your ships are carrying dangerous goods and you're going through ice, it's important to have protection regarding ice. Am I correct or not?

**Mr. Robert Lewis-Manning:** Correct: icebreaking is an enabler.

**Mr. Hoang Mai:** So if you have—

**The Chair:** You can have a last comment. You have a few seconds.

**Mr. Hoang Mai:** My comment is that we want to make sure the shipowners who are carrying dangerous goods are carrying them safely. What the shipowners are asking for is that our coast guard be better equipped. I think it's important for us to understand that.

**The Chair:** Thank you.

**Mr. David McGuinty:** Thanks, Mr. Chair.

It's impossible not to respond to my colleague, the parliamentary secretary. I just want to make sure that everyone is aware of the numbers from the “Public Accounts of Canada” 2011-12 and 2012-13. In my background, Mr. Chair, the numbers never lie. Always follow the money and find out where priorities are for the government by following the money. From one year to the next, they dropped from $75,594,201 to $56,492,575. When Mr. Watson speaks about “efficiencies”", it reminds me of Mr. Justice Dennis O'Connor's report about the Walkerton crisis. He talked about the efficiencies having led to a lot of water inspectors being let go and having led to the tragedy of Walkerton.

Mr. Nelson, you said that after your pilot project with SMS in five separate companies, you had a meeting with Transport Canada, and you put forward the recommendation that all vessels, regardless of size, have SMS in place, mandatory, but tailored to size and scope of vessel.

What did Transport Canada say to you when you made that recommendation?

**(1255)**

**Capt Phillip Nelson:** At the time of the meeting, they said that sounded like a good idea and they would look into developing such a system. We called it the small vessel compliance program. It did not come to fruition in the end.

**Mr. David McGuinty:** Were any reasons given? Financial, pecuniary, capacity, not a priority...? Were you given any kind of feedback?

**Capt Phillip Nelson:** Nothing substantial.

**Mr. David McGuinty:** Mr. Lewis-Manning and Mr. Chomniak, can you respond to that? Do you have any knowledge of this?

**The Chair:** You have 10 seconds.

**Mr. David McGuinty:** In 10 seconds, I guess, do you have any knowledge as to why Transport Canada is not prepared to move in this direction, which all three of you apparently are calling for?

**Mr. Robert Lewis-Manning:** I don't have any information to support it either way.

**The Chair:** Thank you.

**Capt Phillip Nelson:** Could I respond to the question about the difference in what the coast guard does, please?

**The Chair:** If you can do it in five seconds, Mr. Nelson.

**Capt Phillip Nelson:** I can indeed. The Canadian Coast Guard is responsible for en route safety of a vessel, whereas Transport Canada is responsible for the on-board safety on the vessel.

**The Chair:** Thank you very much.

Mr. McGuinty, you mentioned Walkerton and of course that's very close to where I live. We all know that no system is perfect, but very similarly to Lac-Mégantic, there were the tools in place. What happened in Walkerton, as in Lac-Mégantic, did not need to happen. It was basically people not doing their job. I needed to point that out.

Ms. Young, you have two minutes.

**Ms. Wai Young:** I appreciate having the opportunity to follow up on that.

Mr. Lewis-Manning, earlier on, when Mr. McGuinty mentioned some numbers and said there's been some decreases in staffing etc., you mentioned that efficiencies have been found in the system, that we're doing things better, smarter, maybe more technologically able. Can you expand on that?

**Mr. Robert Lewis-Manning:** I'm not sure it's directly related to safety, but there may be spinoffs to safety. The reality is that Transport Canada has been looking for efficiencies in its process in delivering its services. A lot of that process is driven by inspections and what I would say is bureaucratic support to those processes. I know that Transport Canada has invested a lot of effort in trying to find those efficiencies in order to make their life more efficient, but even more importantly, to make the shipowner's life more efficient. That's the important part, because bureaucracy can become so intensive that it becomes a risk and none of us wants that risk.

**Ms. Wai Young:** Right.

I'll get back to my previous question about the low-hanging fruit and ask Mr. Chomniak to respond, because he didn't have a chance to do so earlier.

**Capt John Chomniak:** Realistically, with all these questions in regard to SMS and the transportation of dangerous goods, it still goes back to one of the best things we can use and that is having open lines of discussion between Transport Canada and the shipowner. That open line of communication, in the last 10 years, has gone so far in helping everyone be successful in what we need to do, and that is to transport our cargo, whether it's grain, salt, oil, or passengers, in a safe manner.

**The Chair:** With that, we're going to have to call the meeting.

Thanks to the witnesses who joined us here. Mr. Nelson, we apologize for the glitch that we had, but it wasn't anybody's fault; those things happen. Thanks very much for joining us.

**Capt Phillip Nelson:** Absolutely no problem. Thank you for inviting me.

**The Chair:** The meeting is adjourned.
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