

2021 Pre-Budget Consultation Brief
Presented to the House of Commons
Standing Committee on Finance

By St. Lawrence Shipoperators

August 7, 2020

RECOMMENDATION 1

Speed up recognition of foreign patents to allow for reciprocal arrangements with certain countries by removing obstacles in the *Canada Shipping Act* to hiring foreign sailors.

RECOMMENDATION 2

Implement special foreign worker recruitment measures to benefit the industry and the economy.

RECOMMENDATION 3

Reform the pilotage rate process to avoid unjustified increases while taking into account the financial situation of pilotage authorities and corporations and make service contracts public.

RECOMMENDATION 4

Allow assignment-based adjustments and create tax incentives to encourage healthy competition in the pilotage sector.

RECOMMENDATION 5

Invest in port infrastructure and ensure assets are maintained to keep facilities and equipment in good condition and enable port authorities to adapt to current conditions with a focus on facilitating transportation and the supply chain.

RECOMMENDATION 6

Provide financial assistance to shipyards seeking to modernize their operations and encourage shipyards' expertise.

RECOMMENDATION 7

Increase the Coast Guard's budget to update the icebreaker fleet and optimize use of services in Quebec and the Arctic.

Allow tripartite agreements with Quebec and the private sector and offer incentives to implement short-term solutions during construction of the new fleet.

RECOMMENDATION 8

Invest more in improving whale recognition and detection technology and support the marine industry's efforts to improve the coexistence of ships and marine mammals.

RECOMMENDATION 9

Create a program to help businesses set up the costly new water treatment systems required for compliance with new ballast water regulations.

RECOMMENDATION 10

Create tax incentives for companies that go green and provide better support through an energy transition assistance program.

About St. Lawrence Shipoperators

St. Lawrence Shipoperators (SLS) is a not-for-profit organization whose mission is to represent domestic ship owners, advocate for their interests, support their growth and develop marine transportation on the St. Lawrence.

SLS has 14 active members, local companies that operate over 130 vessels of all types flying the Canadian flag on the St. Lawrence, on the Great Lakes, along the Atlantic Coast and in the Arctic. Our members generate thousands of direct jobs and significant economic benefit in Quebec and Canada. SLS has over 80 associate members that are our industry partners.

Because of its role, its membership and its participation in numerous working groups and expert panels, SLS can make a significant contribution to the development of Quebec's marine potential by mobilizing leading industry stakeholders and promoting their involvement in impactful projects.

Introduction

St. Lawrence Shipoperators thanks you for the opportunity to participate in this pre-budget consultation and share our recommendations, comments and thoughts about our industry's development and its future.

SLS wants to emphasize the importance of marine shipping to the supply chain and to reiterate that its members provide essential services. In 2019, over 38 million tonnes of cargo was shipped via the crucial St. Lawrence trade corridor. Nearly 80% of the products in our homes arrive by ship.

Marine transportation clearly makes a significant contribution to economic development, but the industry and the federal government must work together to create a climate conducive to its growth and longevity.

RECOMMENDATIONS

LABOUR SHORTAGE

Despite years of recruitment efforts, SLS's members are experiencing a major labour shortage that is affecting their operations. The situation is so bad that some SLS members have had to cut back some of their services and even moor their vessels.

The labour shortage is a problem not only for marine transportation companies but also for the communities that depend on marine transportation to bring them supplies, as is the case in the Arctic and along the Lower North Shore. Marine transportation is also essential to the activities of numerous industrial sectors and companies. Regional economies, the province's economy and even the entire country's economy could be negatively impacted by the shortage.

Recommendation 1

Speed up recognition of foreign patents to allow for reciprocal arrangements with certain countries by removing obstacles in the *Canada Shipping Act* to hiring foreign sailors.

Recommendation 2

Implement special foreign worker recruitment measures to benefit the industry and the economy.

PILOTAGE RATES

The latest amendments to the *Pilotage Act* are unjustified, especially the new section 37.1, which allows the minister to charge additional administrative fees to pilotage authorities, fees that are then passed on to companies.¹ The new fees will cost our companies an additional \$507,000 in 2020 and over \$800,000 in 2021.

Users face substantial cost increases with no foreseeable short- or medium-term gain. We strongly believe that Transport Canada should fully cover the costs associated with its new law and rework the business model so that users can derive some benefit and better efficiency.

The application of a new law should not result in new costs for ship owners, who must already pay very high pilotage fees. SLS and a number of other associations sounded the alarm about this during the last consultations and called for an end to fee increases for companies that have also been hit hard by the effects of COVID-19.

¹ 37.1: *For the purpose of defraying the costs of the administration of this Act, including the development of regulations, and the enforcement of this Act, an Authority shall, on request, pay to the Minister an amount specified by the Minister in a time and manner specified by the Minister.*

Recommendation 3

Reform the pilotage rate process to avoid unjustified increases while taking into account the financial situation of pilotage authorities and corporations and make service contracts public.

Recommendation 4

Allow assignment-based adjustments and create tax incentives to encourage healthy competition in the pilotage sector.

INFRASTRUCTURE

Many ports need infrastructure investment and asset maintenance to enhance safety and efficiency and adapt to today's realities.

Recommendation 5

Invest in port infrastructure and ensure assets are maintained to keep facilities and equipment in good condition and enable port authorities to adapt to current conditions with a focus on facilitating transportation and the supply chain.

Recommendation 6

Provide financial assistance to shipyards seeking to modernize their operations and encourage shipyards' expertise.

ICEBREAKERS

The state of the icebreaker fleet is worrisome and can have a considerable impact on navigation. There have been incidents, such as the ice jam on Lac Saint-Pierre in 2019 that halted navigation for four days.

Upgrading the Coast Guard fleet is crucial, and major investment is needed. Agreements with Quebec and the private sector should be pursued to prevent this type of incident and find short-term solutions during construction.

Recommendation 7

Increase the Coast Guard's budget to update the icebreaker fleet and optimize use of services in Quebec and the Arctic.

Allow tripartite agreements with Quebec and the private sector and offer incentives to implement short-term solutions during construction of the new fleet.

MARINE MAMMALS

Interactions between marine mammals and vessels have been the subject of more and more scientific research and media interest and are an operational reality in the marine transportation sector.

For the past several years, ship owners operating in the St. Lawrence have been collaborating very proactively with various stakeholders to identify and implement realistic, effective, evidence-based solutions.

SLS fully supports and adheres to the new right whale protection measures the federal government announced in February and is working to ensure the harmonious coexistence of marine mammals and vessels.

Recommendation 8

Invest more in improving whale recognition and detection technology and support the marine industry's efforts to improve the coexistence of ships and marine mammals.

BALLAST WATERS

Ballast water keeps vessels stable and ensures they can operate safely. When vessels take on ballast, aquatic organisms (microalgae, aquatic plants and animals) and pathogens may be introduced. When vessels deballast, those organisms and

pathogens are discharged into a different ecosystem, where they may pose a threat to public health.

The new federal regulations require vessels to be equipped with an approved ballast water treatment system by 2022. Installing these treatment systems is complex for a number of reasons. The cost of installing them, the effectiveness and availability of treatment systems suitable for St. Lawrence and Great Lakes waters, technical constraints such as limited space aboard certain vessels, and the lack of harmonized regulations among the various jurisdictions involved and the associated competition issues are all critical issues for SLS and its members.

Recommendation 9

Create a program to help businesses set up the costly new water treatment systems required for compliance with new ballast water regulations.

ENVIRONMENT

Over the past several years, there have been many discussions about ships' atmospheric emissions, and this has led to international conventions, laws and regulations to reduce the impact of marine transportation on air quality and climate. Marine transportation is the greenest form of transportation because it is efficient and economical.

Ship owners support these measures, but the transition is complex and costly. The quality and availability of more refined fuels, the efficiency of new technology along with installation and operational constraints, and the impact these new measures will have on vessel operating costs are issues ship owners are grappling with.

Recommendation 10

Create tax incentives for companies that go green and provide better support through an energy transition assistance program.

CONCLUSION

Marine transportation generates significant economic benefit and supports shipping and receiving in a number of key economic sectors, including paper mills, aluminum plants, grain elevators, container terminals, iron and steel production and oil refineries. It is a vital link in a diversified transportation system.

Unfortunately, the effects of the COVID-19 crisis are causing a slowdown, and we expect to see an even more significant impact this fall. To maintain its strategic position and remain competitive, the industry needs to anticipate tomorrow's needs and challenges today by enhancing its expertise and adapting to new technological realities. It must also invest in modern infrastructure, and it needs access to an adequate pool of skilled workers.

As a crucial partner for economic recovery, we are counting on the government's support to help us carry out our mission and make our industry prosper.

For more information about this brief or more details about our recommendations, please contact:

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