

WESTERN GRAIN ELEVATOR ASSOCIATION

Ste. 440-360 Main St.
WINNIPEG, Manitoba
R3C 3Z3

Telephone: (204) 942-6835
Fax: (204) 943-4328
E-Mail: wgea@mts.net

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Mr. Marc Grégoire
Chair, Pilotage Act Review
Transport Canada
Place de Ville – 330 Sparks Street
Ottawa, ON
K1A 0N5

Dear Mr. Grégoire,

Re: Pilotage Act Review

The Western Grain Elevator Association (WGEA) is an association of six grain businesses operating in Canada, which collectively handle in excess of 90% of western Canada's bulk grain exports. Our member companies and their joint ventures, own export terminal facilities in Vancouver, Prince Rupert, Thunder Bay and the St. Lawrence Seaway and high throughput primary elevator facilities throughout the provinces of British Columbia, Alberta, Saskatchewan and Manitoba. Our members are listed at the bottom of our letterhead.

Grain handlers and exporters, and the farmers and customers they serve, have a vital interest in ensuring the costs for bringing Canadian grains, oilseeds and pulse crops to market are reasonable, and that the governance structure of the pilotage authority is properly thought out and well-defined. **The WGEA supports the views expressed in the submissions by the Chamber of Marine Commerce and Fertilizer Canada.** Our main concerns can be categorized as (1) Pilotage Fees (rates) and (2) Increased Efficiency and Elimination of Delays (service).

Pilotage Fees

The existing system does not provide any incentive for authorities to set competitive rates, and has demonstrated a lack of efficiency in absorbing cost increases. The grain industry is struggling under the weight of the current fee structure, which is burdensome and not in line with industry efforts to reduce and eliminate costs. In recent years, pilotage costs have increased at a rate far exceeding the rate of inflation. When cost increases of such a high magnitude occur, they become a greater factor in the cost components that eventually reduce the price paid to the farmer. Simply put, the higher the costs for pilots, the less farmers are paid for their grain.

Tariffs

Pilotage Authorities in Canada are monopolies that set their own tariffs without a transparent rate setting methodology. There is an inherent conflict of interest when organizations are unilaterally able to set their own rate without any external competition. They tend to focus primarily on sustaining operations rather than ensuring value for shippers. Rather than being primarily motivated to set reasonable rates for activities that are in the best interest of the Canada, the Pilotage Authority's primary interest becomes one of setting rates that are in the best interest of its pilots.

This is compounded by the *Pilotage Act* requiring pilotage authorities to be financially self-sufficient, thereby requiring these costs to be passed on to users, regardless of the reasonableness of such costs or the resulting impact on exporters and their farmer suppliers. A dependence on cost recovery can perpetuate a prescriptive approach to decision making where "more is better" rather than focussing on providing the right services most appropriate in a changing industry, including the use of navigation technology.

Hiring of Pilots

The *Pilotage Act* creates another conflict of interest between the pilot corporations on one hand and the pilotage authorities and users of the system on the other. Pilot corporations operate an effective monopoly which leads to higher costs and unnecessary restrictions on the delivery of pilotage services. Disbanding pilotage corporations and allowing pilotage authorities to hire their own employee pilots or contract with individual pilots would likely result in immediate cost savings.

In terms of the setting of fees themselves, we recommend the review consider alternate options that include shifting this responsibility to Transport Canada, or a committee comprised of shippers, regulators, users and operators, which would result in a more balanced pricing system.

Increased Efficiency and Elimination of Delays

Pilotage Authorities are experiencing shortages in the pool of pilots with the skill required under the current regulations and given the age demographics of pilots currently in the system, the shortage will only become more acute over time. The Great Lakes Authority provides passage for over 7,000 ships on an annual basis, however, employees only 59 pilots. Some Pilotage Authorities increasingly rely upon contract pilots. Given the current situation, further shortages and increased delays will occur without significant changes to the system. Service delays result in higher costs for users, and create efficiency problems for the entire supply chain.

Technology

Modern navigation technology has become sophisticated enough to, along with proper training, allow more masters and navigating officers to qualify for self-pilotage under pilotage certification programs. These options should be fully explored by the review.

Jurisdictions in other countries have created options for users that enable more efficient and less expensive service. For example, both Norway and Denmark allow Pilotage Exemption Certificates. Captains or Navigators that pass a practical and theoretical exam to demonstrate the same local knowledge as a pilot may receive a Pilotage Exemption Certificate for a certain service area. Allowing Pilotage Exemption Certificates would increase efficiency, decrease service costs and help to eliminate delays caused by pilot shortages. Procedures for obtaining exemption certificates should not be so overly cumbersome that they act as a deterrent.

Other Supporting Recommendations

There are a multitude of other changes that should be made to support the main objectives of lower costs and better service. These are fully explained by the Chamber of Marine Commerce in its submission, and we list our most notable ones again below for your quick reference.

Objectives of the Pilotage Act

The objectives of the *Pilotage Act* should be to deliver pilotage services that take into consideration the use of technology and sound risk management principles, to ensure that the system continues to evolve in an efficient and cost effective manner. The Act should remain relevant and responsive to the needs of the marine industry and the shippers it serves.

Creation of a National Pilotage Authority

Pilotage services across Canada should be re-organized and consolidated under a single, national pilotage authority with an Eastern Operations Centre and a Western Operations Centre. The federal government should be fully responsible for all costs resulting from the re-structuring of the operating model.

Composition of the Board of Directors

The *Pilotage Act* should clearly specify the composition of the board of directors, provide for greater representation of waterway users and the shipper community on the board, specifically require that ministerial appointments be made based on recommendations from designated user groups, and include a “knowledge and experience” provision, similar to the requirement for port authorities.

Pilotage Regulations, Standards and Certification

Authority for the setting and enforcement of pilotage regulations and standards should be transferred from the pilotage authority to Transport Canada, and the pilotage authority should be responsible for delivery of services only.

Conclusion

The promotion of competition, access, and transparency along Canadian trade and transportation corridors is critical to international trade and the movement of Canadian goods. A fair and efficient marine transportation system, supported by transparent rate setting and a more nimble supply system for pilots, will enable our members to get grains, oilseeds and pulse crops to market with greater efficiency, and help to ensure we return maximum value to the entire grain industry including our farmer suppliers.

Thank you for the opportunity to provide our views in this regard. We look forward to seeing meaningful changes to the Pilotage Act in a way that is consistent with the views expressed by the Chamber of Marine Commerce and Fertilizer Canada, and supported by the WGEA.

Yours truly,

A handwritten signature in blue ink, appearing to read 'W. Sobkowich', written in a cursive style.

Wade Sobkowich
Executive Director