It is sometimes said that the best briefings only take a few minutes. In respect of pilotage, the evidence is straightforward: all key performance indicators demonstrate that Canada's pilotage system performs exceptionally well.
“50,000 pilotage assignments completed each year means that Canada’s pilots have undertaken 2,500,000 pilotage assignments since the CMPA was established in 1966. The success rate of these assignments has been near perfect. And that’s the point, we have accomplished this because of a singular focus on safety first.”

– Simon Pelletier, CMPA President

50th Anniversary of the CMPA, May 2016

The level of safe maritime transportation provided by Canada’s pilotage system speaks for itself: over the five-year period between 2012-2016, 99.92% of pilotage assignments took place without incident.

The system is not static and pilots make every effort to continuously improve its performance. Through expert knowledge of the waters for which they are licensed, combined with the use of the most advanced e-Navigation technology relevant to pilotage, the number of incidents was cut in half between the five-year periods of 1998-2002 and 2012-2016 – going from 360 to 189.

This performance is especially remarkable in light of the fact that the average size of vessels has dramatically increased over the years – for example, over the last 10 years between Québec City and Montreal vessel size has increased by 45% – creating additional challenges for pilots on the same waterways.

<table>
<thead>
<tr>
<th>Region</th>
<th>Incidents and Assignments</th>
<th>Incident-free Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pacific</td>
<td>68 in 67,718</td>
<td>99.90%</td>
</tr>
<tr>
<td>Great Lakes</td>
<td>121 in 39,295</td>
<td>99.69%</td>
</tr>
<tr>
<td>Laurentian</td>
<td>120 in 102,319</td>
<td>99.88%</td>
</tr>
<tr>
<td>Atlantic</td>
<td>51 in 55,873</td>
<td>99.91%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>360 in 265,505</strong></td>
<td><strong>99.86%</strong></td>
</tr>
</tbody>
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<table>
<thead>
<tr>
<th>Region</th>
<th>Incidents and Assignments</th>
<th>Incident-free Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pacific</td>
<td>23 in 65,365</td>
<td>99.96%</td>
</tr>
<tr>
<td>Great Lakes</td>
<td>43 in 34,409</td>
<td>99.88%</td>
</tr>
<tr>
<td>Laurentian</td>
<td>96 in 109,297</td>
<td>99.96%</td>
</tr>
<tr>
<td>Atlantic</td>
<td>23 in 41,371</td>
<td>99.94%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>189 in 250,442</strong></td>
<td><strong>99.92%</strong></td>
</tr>
</tbody>
</table>

Source: Annual Reports of the Atlantic, Laurentian, Great Lakes and Pacific Pilotage Authorities

While many factors play a role in this performance, including maintaining high standards for the licensing of pilots, no factor is more important than the framework established by the Pilotage Act by which pilots can exercise their best professional judgement free from commercial and competitive pressures. In other words, the framework allows pilots to deliver uniform excellence to all shipowners and make sure safety truly comes first at all times.
“Pilotage Costs Affect the Competitiveness of Canada’s Transportation System”

The false narrative stated above is often put forward by the shipping industry who look to diminished pilotage requirements and costs to improve its bottom line. But changes to pilotage requirements cannot be profit-driven; they must serve the higher purpose of safety and the public interest.

Cost-Benefit of Canadian Pilotage

Shipping costs, including pilotage, are passed on to consumers. In 2016, pilotage costs, as measured by the revenues of the four pilotage authorities, amounted to $218 million, or a little more than $6 per Canadian.

On the other hand, in 2017, for the first time, a study providing a cost-benefit analysis of pilotage services in Canada was realized, identifying benefits of $4.56 billion per year, including safety benefits of almost $4 billion, resulting in a cost-benefit ratio of over 20 to 1.

The study, prepared by Transportation Economics and Management Systems, is available at [http://www.apmc-cmpa.ca/](http://www.apmc-cmpa.ca/).
Level of Canadian Pilotage Tariffs

When compared to other jurisdictions, in particular locations in the United States with which Canadian ports compete for cargo, Canadian pilotage tariffs are low. The following table compares the cost of pilotage per nautical mile for the largest vessels that can transit through the St. Lawrence Seaway system. For ports located in the binational Great Lakes Region, the analysis assumes that vessels are serviced only by Canadian pilots, whose fees are significantly lower than those of their US counterparts.

Moreover, despite the compulsory nature of Canada’s pilotage regime, Canadian shipping companies can avoid having to board pilots, and can thereby entirely exempt themselves from pilotage charges by taking advantage of the provisions regarding pilotage certificates in the Pilotage Act and the regulations made pursuant to it. Incidentally, Canadian requirements for certificates tend to be less onerous for domestic operators than in many European jurisdictions.1

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1 See the 2012 Study on Pilotage Exemption Certificates by PricewaterhouseCoopers, p. 117ff which describe the requirements for the issuance of pilotage exemption certificates (PECs) in various countries. These requirements often include restrictions based on vessel tonnage or on whether vessels carry dangerous products; practical and theoretical examinations before independent Boards of examiners are also typically required, along with more trips to qualify or maintain currency. Moreover, some countries (e.g., Italy, Greece) simply do not allow PECs.
Increases in Pilotage Charges Mask Significant Cost-savings and Productivity Gains for Industry

Industry makes much of the fact that pilotage charges have increased faster in recent years than the consumer price index (CPI). This line of reasoning does not reflect the fact that pilotage charges are directly influenced by vessel size and that tremendous increases in vessel size have led to exponential gains for industry.

For example, as indicated above, the average size of vessels grew by 45% between Québec City and Montreal over the last 10 years. During the same period, according to Statistics Canada, the CPI increased by 15%\(^2\). The apparent increase in the cost of pilotage above the CPI actually masks a significant cost-saving and productivity gain that has accrued to shipowners as a result of lower pilotage costs when measured by size of vessel.

While total charges, driven by the increase in average vessel size may indeed have increased faster than the CPI, the point remains that at the same time, the economies of scale and efficiencies enjoyed by the owners of these vessels and the shippers who use them increased exponentially – resulting in net total gains of up to $341,000 per vessel per trip (see Case Study 4.1.4 in Marine Pilotage in Canada: A Cost-Benefit Analysis. p.45 and ff, http://www.apmc-cmpa.ca/).

In fact, with pilots conducting significantly bigger vessels on the same waterways safely and expeditiously, not only is more cargo transiting – for example the total tonnage reported by the Port of Montreal went from 25.9 million tons in 2010 to 35.2 million tons in 2016, a 36% increase – but cargo by volume has also moved more cheaply, thereby enhancing the bottom line of shipowners and the competitive position of Canadian ports.

\(^2\) For its part, the tariff charged by the Laurentian Pilotage Authority stayed in line with the CPI, having increased only by 18%.
Pilotage Charges and the Value of Cargo Shipped

The 1968 Royal Commission on Pilotage report states3:

In 1963, the cost of pilotage services for access to Canadian Ports of trade accounts for about 90c per $1,000 of the final value of merchandise traded. This is less than one-tenth of one percent. Even if all costs of pilotage, including those now borne by government, were paid by shipping, the cost would average $1.05 per $1,000 of the final value of goods traded. Pilotage costs are too small relatively to have a noticeable impact on trade.

For its part, the Canada Transportation Act Review Panel report states: The value of Canadian international seaborne trade was $210 billion in 2014… (Vol.1 p. 215). That same year, total pilotage costs amounted to $208 million, accounting for approximately 99c per $1,000 of the value of international seaborne trade.

If anything, the cost of pilotage services per $1,000 of the value of merchandise traded diminished over the 50-year period between the two Reports, and there is no reason to think that the conclusion reached 50 years ago – that “pilotage costs are too small relatively to have a noticeable impact on trade” – is any less valid today than it was then4.

Pilotage Plays a Vital Role in Canada’s Economy and International Trade

According to the United Nations Conference on Trade and Development (UNCTAD), “around 80 per cent of the volume of international trade in goods is carried by sea5.” In Canada, virtually all international trade that is carried by sea relies on pilotage to ensure it is shipped safely and expeditiously.

It is difficult to exaggerate the importance of pilotage for Canada’s economy. The safety and efficiency benefits resulting from pilotage make a very significant contribution to the well-being of all Canadians.

Canadian pilotage costs compare favourably where it matters most, with Canada’s largest trading partner and its main competitor for port business, the U.S.A. The skills and expertise of Canada’s pilots increase tonnage shipped, extend shipping’s seasonal operations, allow for navigational innovation, all while maintaining safety and enhancing social license. What more can be asked for?

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3 P.708, Appendix 10, paragraph 1.1
4 Incidentally, it is also noteworthy that, in the Great Lakes Region, where average vessel size effectively cannot increase (vessels being constrained by the size of the St. Lawrence Seaway locks), tonnage has increased by 14% in 2017, irrespective of the very significant pilotage tariff increases implemented by the US Coast Guard in recent years – thereby proving the virtual irrelevance of pilotage tariffs as a factor affecting the choice of transportation mode.
Rationale for the Review

The rationale for reviewing the *Pilotage Act* is described in these terms⁶:

*The pilotage system is working well, but modernization is necessary as the last set of substantive amendments were made to the Pilotage Act almost 20 years ago, and some provisions have never been amended. However, despite a lack of continuous amendment, there have been several reviews of the Pilotage Act or pilotage issues.*

On the face of it, there is recognition that the “system is working well”. There is also no specific substantiation of issues or problems.

Rather than associating the small number of legislative changes made to the *Act* over the years with the continued excellent performance of the system, it is assumed that this small number of changes is, in and of itself, reason to change the *Act*.

The “several reviews” of the *Act* referred to in the rationale recommended limited change to it, and when those few recommendations were not acted upon, in 2003 and in 2007, it is because the governments of the day did not deem, in the end, that change was actually warranted.

The absence of alignment between the very wide scope of the current review – in which essentially *everything* is put in question – and the limited scope of the recommendations regarding pilotage following the two-year review of the 2016 *Canada Transportation Act* is also noticeable.

Pilots are pragmatic. They effectively deal with tangible situations 24-7-365 for the benefit of the communities they live in and serve, knowing that virtually all Canadians would be impacted in one way or another by a major maritime accident. They strive to continuously improve their practices but also do not attempt to fix things that are not broken.

Change should be considered only when issues are clearly substantiated, and when proposed alternatives demonstrably bring real improvements, without triggering unintended negative consequences.

Social License

The rationale for the Review omits the one fundamental malaise affecting maritime transportation: the ever-increasing difficulty of securing and maintaining social license to operate.

Public preoccupations about the environment, even if actual or proposed operations are characterized by the virtual certainty of absolute safety, are such that shipping activities are put in question more than ever, and public trust is eroding.

Pilotage is possibly the single most effective factor contributing to safe navigation in hazardous waters. Questioning the very foundations of the system at a time when the social license of maritime transportation is more tenuous than ever, introduces uncertainty. Doing so essentially as a result of industry’s preoccupation with profits, as seems to be the case – and despite the fact that the economic equation of pilotage clearly benefits Canadians and, in particular, the middle class, while also directly contributing to the bottom line of shipowners – can further erode public trust.

It is our hope that the current review will fully recognize the essential contribution of pilotage, and thereby reaffirm the value of maritime transportation – the most environmentally-responsible mode of transportation.

Service Delivery Options for Pilotage

Looking at other countries with highly-reputable and performing pilotage systems, such as the USA, Germany, France and the Netherlands, it is clear that there are other ways of delivering pilotage than how it is done in Canada. In the systems mentioned above, in addition to pilotage per se, pilots take full responsibility for delivering ancillary services like the management of pilot boats, pilot training, and dispatching, under the rigorous scrutiny of independent government regulators.

Canada’s highly-decentralized system, however, based on four regional crown corporations with pilots who have the flexibility to opt for the professional status that best suits local circumstances, is not broken.

That the current system works well is convincingly demonstrated, as discussed above, by the safety levels provided by pilotage and its contribution to Canada’s economy, as well as by the near-perfect number of on-time assignments7, and the sound financial position of the self-sufficient authorities.

In light of the system’s excellent record, any proposal must pass the litmus test of regional sensitivity and local knowledge, and demonstrate it can generate added value without compromising performance.

7 The 2016 statistics available from the 3 authorities that report pilot-related delays by occurrences indicate a 99.8% success rate (i.e., 81 delays in 43,052 assignments).
Meaningful Engagement of Indigenous Peoples

In July 2017, the Government of Canada released a set of Principles Respecting the Government of Canada’s Relationship with Indigenous Peoples⁸ to advance reconciliation through a “renewed relationship based on the recognition of rights, respect, cooperation and partnership”⁹.

Principle 6 states that “The Government of Canada recognizes that meaningful engagement with Indigenous peoples aims to secure their free, prior, and informed consent when Canada proposes to take actions which impact them and their rights, including their lands, territories and resources.”

Indigenous peoples provided the very first pilots to European explorers during the beginnings of Canada and, nowadays, shipping activities significantly impact territories and resources on which they rely, as was illustrated again recently in British Columbia with the grounding of the tug Nathan Stewart. In the same way, without a doubt, Inuit people have a key role to play if the implementation of a pilotage system is ever seriously considered for Arctic waters.

The CMPA believes the Principles set forward by the Government are sound and the Association looks forward to playing a constructive role in fostering dialogue with Indigenous peoples in the course of the current process.

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The election in 2014 of a Canadian, Capt. Simon Pelletier, as President of the International Maritime Pilots’ Association is testimony to the credibility enjoyed by Canada’s pilotage system around the world.

This system works remarkably well and there has been very little demonstration that change is required. At the same time, and keeping in mind Paracelsus’ famous quip that “it is the dose that makes the poison”, proposals that will demonstrably improve the pilotage service are worth considering.

The European Union, for example, recently reviewed its policy regarding the provision of port services, including pilotage, and formally concluded that pilotage is a “public interest function” that should not be subject to competition. It could have added that pilotage regulation should systematically be risk-based and also seek to promote environmentally-responsible development, in addition to safety and efficiency.

Expanding pilotage areas, as appropriate, on Canada’s West and East Coasts; taking steps to establish a pilotage system in northern waters; strengthening tug escort requirements; tapping into the experience of pilots using advanced navigation technology to establish an applied research network studying the collaborative integration of technology with skilled workforces; and undertaking a national communications campaign to raise the awareness of Canadians about the important contributions of pilotage to safety and the economy would all be significant steps to help address eroding social license.

In addition, assuming industry is indeed in favour of pilotage tariffs taking effect more rapidly than they do now, giving consideration to alternative tariff-setting processes may be an area where improvements could be made. Recognizing the need for specific skillsets – including the need for Directors with experience as pilotage license holders on the Boards of Directors of Pilotage Authorities – as well as the merit of having Boards that are balanced in their composition, as has been the practice for the last 45 years, might be another such area.

“Modernization”

“The future of pilotage depends on us remaining faithful to the values that have worked so well over the past fifty years while embracing change and innovation that will help us keep pace with a world and an industry that never stops.”

– Simon Pelletier, CMPA President

50th Anniversary of the CMPA, May 2016