



## **Pilotage Act Review Engagement Session November 30, 2017 Marine Recycling Corporation Response - Key Questions**

### **1. Do you believe the pilotage system works as intended? What would you improve?**

#### General Comments

In part see response to question 2, re: regulated monopolies.

Understanding the difficulties that the pilotage authorities face meeting user demands, consistency and cost effective service the governance arrangements need to be examined. This could include the following:

- a. Amalgamation of common administrative services
  - Development of technology
  - Common human resource functions (payroll, accounting, benefit administration, recruitment etc.)
  - Purchasing and procurement
- b. Amalgamation of pilotage authorities on a basis that ensures no loss of local knowledge
- c. Composition and selection of public interest representatives on the boards of pilotage authorities
- d. Structure of the boards pilotage authorities to provide users a greater say in management

#### Next Steps

An independent third party (external) review of the regulatory regime to determine if it meets the objective of a safe and efficient pilotage service in accordance with the Pilotage Act.

## MRC Experience

Lack of consistency is a major issue.

In MRC's experience over the past years, it has become increasingly difficult dealing with the Pilotage Authorities. Likely the most difficult situation for our company, is trying to estimate towing costs, due primarily to the inconsistency in the number of pilots, which the Pilotage requires for any given tow. We have done tows with same size vessels (ie: 730 foot lakers), in the same waters ( eg: Toronto Harbour to Port Colborne, through the Welland Canal), whereby the GLPA has required, one (1), two (2) or as many as three (3) pilots.

Recently, MRC towed the 300 foot long car ferry, Le Marc(Camille Marcoux), from Quebec City to Port Colborne. From QBC 29 to TRV 19 six (6) pilots were assigned, from TV 19 to MB 100 six (6) pilots were assigned and from MB 100 to SLBSTN five (5) pilots were assigned. In addition the tow was stopped for darkness. In our 60 year history and more than 100 dead ship tows, this tow set a record for the number of pilots assigned and a first for stopping a tow for darkness. Several months later, Transport Canada was responsible for towing a larger ferry (Princess of Acadia) to MRC in Port Colborne. Notwithstanding the larger size of this ship, only two pilots were required for the tow. In our experience, the number of Pilots required may be determined by how busy the Pilotage Authority is and number of pilots available for any tow. See attached Pilotage Summary –Le Marc (Camille Marcoux).

This lack of consistency makes it impossible to estimate project costs, when Pilotage costs vary from estimates by 400%. For Le Marc (Camille Marcoux) tow, the Pilotage cost exceeded the original estimate by more than \$100,000.00. This added cost of more than \$30.00/ton for the vessel with an LDT of approx. 3000 tons! The tow was delayed from departing Quebec City, a few hours from planned departure time, as MRC and the tugs were required to provide accommodations and electrical service for the pilots and their laptop computers, as well as the additional lifesaving gear required for the many pilots.

The Pilotage Authorities have exclusively given a one word answer, when questioned about the number of pilots they insist be on any given tow—SAFETY, The only incident in MRC's towing history was in the St Lawrence River, when a ship was too close to a buoy and the buoy "rolled" down the side of the laker "Comeaudoc", when the pilot was at the wheel of the lead tug.

In our experience, pilots have little or no experience with tugs. as in the case of the "Quebecois" tow from Toronto to Port Colborne, through the Welland Canal. A single pilot arrived at the ship in Toronto, he said to MRC's Manager in Tow and MRC's Marine Surveyor "this is cool, I've never been on a tug boat." How exactly this pilot could have improved safety was a puzzle to all.

The high cost of pilots and schedule delays have caused both a restraint of trade, reduction of business for Seaway and communities on the Great Lakes. We are aware of two separate passenger cruise lines which will not ever enter the Great Lakes again, due to the high costs and delays caused by the Pilotage Authorities. Easy to imagine the trouble these cruise lines suffered, when their scheduled stops were affected and costs increased at the discretion of the pilots.

MRC does everything possible these days, to eliminate towing ships and has had more than ten (10) vessels delivered to its' facilities by owners in the past few years, only due to Pilotage costs, undeterminable delays and the mystery of how many pilots will be required for a given tow.

It is our respectful submission that the absence of any consistency is a major issue and need to be addressed.

## **2. Pilotage is a regulated monopoly delivered by four Crown Corporations. Can you suggest other ways to deliver pilotage services without compromising safety?**

Regulated monopolies may be:

- a. open to excessive prices regardless of demand as consumers of the service have no choice in service provider (inelastic demand), thereby contributing to cost-push inflation
- b. supply inferior service
- c. lose incentive to innovate
- d. regulated by permissive legislation which may result in unintended consequences, such as giving unchecked autonomy to pilotage corporations
- e. regulated by nominal legislation, such as final offer selection as provided in the Pilotage Act

The above is not to suggest that free market economies are perfect but rather to suggest that the key is to strike a balance between free markets and the type of government regulation needed to protect the public interest. The cornerstone of our essentially capitalist economy is competition of which the benefits are fair prices for services and an increase in efficiency. Competition may be one the balancing factors which is missing for the current regulated monopoly.

Simply allow vessel operators to provide Captains with required experience to manage vessel transits and dead ship tows. It is the "monopoly" that makes the situation untenable. If private organizations were able to provide pilotage services, existing Pilotage Authorities would undoubtedly be out of business, but trade would be fair and tremendous losses would be saved by all users of our waterways and the communities surrounding them.

### Comparison of Operations – Suez Canal

The Suez Canal Authority (SCA) regulations state that, it is compulsory to have a pilot onboard for transit changes of birth, entering or leaving Canal (or ports) and for any movement whatsoever. However, it appears that pilotage requirements are predictable unlike pilotage requirements in Canada.

- \*Navigation in the Suez Canal is around the clock.
- \* The Canal is a single lane Canal but interspersed with four passing points.
- \* Ships transit the Canal, in convoys, with three convoys daily
- \* Pilotage is compulsory for all vessels over 300 tons.
- \* Two Roads pilots and two Canal pilots board the vessel and operate in successive sectors from the first light buoy at the port of entry to the last light buoy at the port of exit. Road pilots' are harbour pilots and duties are carried out when entering or exiting the Canal. Canal pilots' duties are carried out in the actual Canal.
- \*An extra pilot for assisting the pilots in charge may be assigned by the Masters request or by the SCA if deemed necessary. Extra pilots shall be assigned:
  - vessels over 80000 GT
  - container ships over 60000- GT
  - vessels with cargo impeding view
  - vessels with draught over 53 feet

### Comparison of Operations –Panama Canal

The Panama Canal Authority (ACP) is an autonomous legal entity of the Republic of Panama, with exclusive charge of the operation, administration, management, preservation, maintenance, and modernization of the Canal so that the Canal may operate in a safe, continuous, efficient, and profitable manner. Pilotage requirements are reported as follows:

- \*one pilot required for a lead tug
- \*no pilot required for a stern tug as it would serve no useful purpose
- \*no more than two pilots on a dead ship, regardless of size, lightweight, type of vessel or deadweight
- \*vessels are most often 100 feet beam and the canal can accommodate vessels such as aircraft carriers (200-250 feet beam)
- \*Pilots are switched at four different stages
- \*pilotage costs do not exceed US\$12,500

### **3. The *Pilotage Act* gives the Pilotage Authorities and the federal government (Governor in Council) the responsibility to regulate safety. Can you suggest ways to improve the current system?**

Any negotiations or final offers of settlement must avoid the establishment of new operational standards that contradict the existing regulatory framework. Superior restrictive changes that occur outside the normal federal regulatory development framework do not reflect due process.

The contracting powers of pilot corporations should not be construed as limitless and service contracts should not circumvent the regulatory process. The Pilotage Act should be reviewed and the regulatory powers of the pilotage authorities could be strengthened to ensure the necessary processes are in place to regulate safety of the pilotage service. Existing pilot contracts should also be reviewed with the view of withdrawing and safety related matter that falls within the scope of the Pilotage Authority.

In order to provide greater transparency and accountability pilotage service contracts between the pilot corporations and the pilotage authorities should be made public. It is in the public interest that the management of services delivered under a legislative monopoly are open and accountable.

Privatization of the pilotage system should be considered as an alternative and if not at a minimum a set of efficient and economically common standards should be established. This would serve to never again have such unreasonable numbers of pilots required at high costs.

#### **4. Technology evolves rapidly. What do you believe is the best way to respond to this challenge without compromising safety?**

Technology plays a central role in our lives and permeates everything we do. Therefore it is not surprising that technology is at the root of every review of navigational practices.

Technology will not replace pilots but rather extend their abilities, change operational procedures, increase efficiency and decrease costs. For example, the use of shore-based pilots is an interesting opportunity and is technologically possible. Technology to support this opportunity includes but is not limited to:

- a. Electronic Chart Display and Information System (ECDIS)
- b. Coastal Radar
- c. Automatic Identification System (AIS)
  - Static data
  - Dynamic data
- d. Direct Communication Equipment
- e. E-navigation platform

Although the technologies are available today, what is lacking is the means to effectively and consistently integrate information into an all-round user-friendly system.

The following is an example of available technology. A system called Navi-Harbour 4.3, provides functionality enhancements in radar processing and record and play back usability, among other things. A notable recent development has been 3D VTS functionality - a first step towards shore-based pilotage. A simulated 3D VTS picture is based on real-time data and enables the VTS operator to observe, virtually, the navigation situation from onboard a vessel – i.e. to look at the situation from the viewpoint of the ship's navigator.

#### Shore Based Cost/Efficiency

\*Pilot does not spend time on transport to and from a vessel

\*Regular work shift as shore based pilotage can be passed on when shift ends

\*In principle it would be possible for shore based pilots to navigate more than one vessel at a time

#### Shore Based Safety

It will be argued that "looking out the window" will remain essential and that technology only compliments traditional pilotage. This is a "protectionist" viewpoint and without quantitative empirical data the decrease/increase in safety of shore based pilotage remains in question.

#### Summary and Next Steps

Current maritime pilotage regimes are seen as too restrictive and old fashioned. Technological change is inevitable and pilotage cannot be immune to it. There is no practical reason why more flexible vessel traffic management cannot be introduced. The required technology is largely available and the required dynamic data can be available. The obstacles to implementation are, therefore, largely political, commercial, organizational, and cultural.

A conscious and well planned development and implementation of shore based pilotage should be undertaken in a step by step test and review cycle in selected safe environments. The future of navigational technology is about process.

See #3 above. Pilots have not positively affected safety on dead ship tows and no pilot should be allowed on a tow in the absence of experience with tugs.

### **5. What do you believe is the best way to set pilotage tariffs?**

Within the context of current tariffs increasing approximately 14.5% in 2017, temporary surcharges being transferred to general tariffs, and an apprentice pilot training tariff surcharge of 5% it is clear that a more discipline and systematic approach to the way in which tariffs are established and implemented is required. In short, pilotage tariffs have long been increasing at a rate that far exceeds inflation.

Considering the above it is questionable whether or not the pilotage authorities have the ability to control and/or reign in costs to achieve a cost effective and efficient service going forward.

Pilotage fees represent a significant cost as well as the service levels (pilot availability and delays) are of concern. A review of the system with the foundation being a cost effective and efficient system should be undertaken. Start with benchmarking pilot salaries, workloads and working conditions against comparable/like positions to determine the impact of the regulated monopoly on the cost effectiveness and efficiency of the system.

## **6. What do you believe are the most important elements of the fee-setting process?**

- Pilot salaries
- Contracting powers of pilot corporations
- Extensive package of fees
- Mechanism for review of user fees
- Linking increases in fees to CPI and increases in efficiency, particularly since the context is a regulated monopoly

Fairness is the most important element, so as to amongst other things, stop restraining trade, the backbone of any economy. Abuse of monopoly powers is illegal otherwise in North America. It is legal to operate a monopoly, but illegal to abuse a monopoly.

## **7. What do you see as the main challenges and opportunities over the next 5, 10, or 15 years?**

- Meaningful cooperation with marine partners
- Managing rapidly changing technological innovation
- Developing infrastructure
- Maritime skill shortage – succession planning
- Adapting to global economic trends –flexibility
- Remaining in business and competing with foreign competition under the current pilotage system.

Pilotage Summary – Le Marc ( Camille Marcoux) QBC 29 to Port Colborne

Date/Time Period	Location	Pilots	Cost	Notes/Comments
Apr 22/17 – 09:30hrs Apr 23/17 -00:00hrs	QBC 29 to TRV 19  Le Marc	M. Barthe M. Despres	\$3462.20	Laurentian Pilotage Authority
	Tug Lois M.	E. Pouliot-Frechette F. Labranche	\$3060.34	
	Tug Jarrett M.	B. Pouillot L. Messier	\$3053.86	<b>6 Pilots</b>
Apr 23/17 – 05:00hrs Apr 23/17 – 17:10 hrs	TRV 19 to MB 100  Le Marc	A.L'Ecuyer N. Dumbery	\$3176.51	Laurentian Pilotage Authority
	Tug Lois M.	D. Theriault J-M Chenard	\$2926.69	
	Tug Jarrett M.	D. Perron J. King	\$2920.20	<b>6 Pilots</b>
Apr 24/17 – 05:00hrs Apr 24/17 -10:20hrs	MB 100 to SLBSTN  Le Marc	R. Jourdain A. Chaudhry	\$4091.39	Laurentian Pilotage Authority
	Tug Lois M.	A.Aaerreur (Port MTL)	\$2369.86	
	Tug Jarrett M.	A.Aaerreur (Port MTL)	\$2369.86	<b>5 Pilots</b>



Apr 24/17 – 10:20hrs Apr 24/17 – 18:50hrs	SLBSTN to BOH Lock 4	P. Barbeau M. Naud	\$14,376.79	Great Lakes Pilotage Authority
Apr 24/17 – 18:20hrs Apr 25/17 – 02:40hrs	BOH Lock 4 to SNL Le Marc Tug Lois M. Tug Jarrett M.	P. Barbeau M. Naud		2 Pilots
Apr 25/17 -2:25hrs Apr 25/17 -11:30hrs	SNL to Iroquois Lock Le Marc Tug Lois M. Tug Jarrett M.	T. Sellers M. Maclean	US\$12,006.00	St. Lawrence Seaway Pilots' Association
Apr 25/17 – 11:30hrs Apr 25/17 – 20:40 hrs	Iroquois Lock to Cape Vincent Le Marc Tug Lois M. Tug Jarrett M.	B. Enck D. Withington	US\$12,339.50	2 Pilots St. Lawrence Seaway Pilots' Association
Apr 25/17 – 20:40hrs Apr 26/17 – 12:45hrs	Cape Vincent to PWL Le Marc Tug Lois M. Tug Jarrett M.	P. Cole	\$4,438.11	2 Pilots Great Lakes Pilotage Authority
Apr 26/17 – 12:40hrs Apr 26/17 – 21:35hrs	PWL to LO7 LO7 to Wharf 17 Le Marc Tug Lois M. Tug Jarrett M.	B. Turner S. Bruley A. McNevin M. Burgess	\$15,796.77	1 Pilot Great Lakes Pilotage Authority 2 Pilots
Apr 26/17 – 20:45hrs Apr 27/17 – 01:45hrs				2 Pilots