

Marc Grégoire
Chair of Pilotage Act Review
Transport Canada
330 Sparks St.
Ottawa, ON K1A 0N5

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The Canadian Steel Producers Association (CSPA) is the national voice of Canada's \$14 billion primary steel production industry that is integral to automotive, energy, construction, and other demanding domestic and international industrial supply chains. CSPA seeks to work with governments and industry partners to advance public policies that enable a globally competitive business environment for its member companies and supply chain stakeholders.

Canadian steel producers, through their shipment of iron ore, coal, and finished steel products, are an industry segment responsible for the largest volume of freight on the St. Lawrence Seaway/Great Lakes system. On behalf of CSPA's member companies, I am writing you today to provide our views about potential reforms which we believe would effectively modernize the *Pilotage Act* and support the delivery of safe, efficient, and environmentally responsible pilotage services into the future.

Unfortunately, escalating end-user costs, as well as challenges related to seasonality and availability of equipment are combining to directly reduce the competitiveness of steel producers who utilize marine freight transportation for both inbound shipments of input supplies and outbound shipments. While a healthy steel industry directly supports the St. Lawrence Seaway and Great Lakes marine shipping system, it is also disproportionately affected by many of its associated weaknesses.

For the purposes of your review, it is our opinion that significant changes are needed to the *Pilotage Act* and its regulatory framework to support a modern transportation network that will help our country succeed in a fast-changing, highly-competitive global marketplace.

Pilotage requirements for Canadian vessel transits are very costly and seen as a financial detriment to Canadian business competitiveness for those who utilize the Canadian marine shipping system. Pilotage providers have a long history of increasing at rates that far exceed the rate of inflation. Fees, salaries and benefits paid to licensed pilots averaged \$376,500 per pilot in 2016 — increasing 3.4 times more than CPI over the last five years. In certain cases, the cost of pilotage on the St. Lawrence Seaway can actually equal the cost of a ship's entire crew.

All stakeholders involved in Canada's marine transportation system (shipowners, customers, ports and service providers, including pilots) should contribute to making the system efficient and competitive, as well as safe and reliable. A pilotage system not adhering to these principles negates other efforts to advance Canadian interests.

Recommended Reforms

Related policies, regulations, and programs should aim to reduce pilotage and other mandated service fees that increase the costs of marine transport for end users and reduce its competitiveness. Accordingly, we offer the following recommendations, many of which are aligned directly with those proposed by the Canadian Chamber of Marine Commerce (CMC).

1) Flexibility

- Undertake pilotage reforms that address the practicality of the *Pilotage Act*, the scope of influence, and usage of pilots for foreign flagged and domestic ships. Allow domestic ship operator, pilot-certified officers to pilot on any of their company vessels sailing in the region. Pilots should only be used for foreign ships to ensure they are guided through Canadian waters effectively.
- Create a standardized and improved program administered by Transport Canada that promotes onboard training and evaluation of domestic ship operator's masters and navigational officers to pilot their vessels in all pilotage zones (similar to the existing GLPA Pilot Certificate Training Program).

2) Enable greater efficiency and the reduction of pilotage related service fees

- Include clear objectives in the *Pilotage Act* that promote competitiveness and a viable, effective and economical transportation system that meets users' needs.
- Establish a national pilotage authority (with two regional, operational centres) to provide greater objectivity in decision-making, increase efficiencies and consistent national policies, procedures and best practices while giving industry (ports, shippers) more representation on pilotage boards for a greater emphasis on improving operational efficiencies.
- Ensure risk assessments for evaluating new pilotage areas and reducing existing areas, consider alternative mitigating safety and training practices.
- Make better use of technology to enhance safety, improve efficiency, and reduce costs of pilotages services. For example, with today's technology on all vessels, including dual GPS units with electronic charts, plus draft information systems to monitor under keel clearances, pilots are not needed for all legs of a St. Lawrence/inter-lake journey.

3) Transparency and Objectivity

- Create an independent regulatory authority to provide greater objectivity, oversight, and enforcement of pilotage services, i.e., TC. At present, both functions are held by the pilotage authorities which can make objectivity a challenge.
- Improve transparency of pilot corporations and enhance the tariff and arbitrator processes and ensure pilot contracts/collective agreements cannot have regulatory-type provisions.

- Review recruitment practices to minimize the financial and competitive impacts on domestic ship operators resulting from the loss of senior officers to pilotage authorities.

As significant stakeholders in Canada's marine shipping system, CSPA members are grateful for this opportunity to share our perspectives and look forward to engage with you further as the review process continues.

Sincerely,



Joseph Galimberti

President, Canadian Steel Producers Association