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Luncheon Address
by
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Thank you for the introduction and for the invitation to address the Canadian Institute of Marine Engineers' Maritech 2003 conference during National Transportation Week.

First, let me start by saying a few words about the choice of themes for Maritech 2003 - Direction North – A Marine Perspective.

There has already been an impressive, steady growth of commercial shipping in Canada's Far North and through the Northwest Passage in the last twenty years, or so. Among Canadian players in this trade lane, one can mention NTCL, Fednav, Groupe Desgagnés and Transport Nanuk.

Both yesterday and today, experts have delivered technical papers examining the many dimensions of present and future trends. To be sure, the phenomenon of global warming has been driving more and more world attention to the opportunities, and the issues, of Arctic shipping.

The financial costs involved in navigation in such a remote and challenging region are, of course, awesome. But the traditional, short Arctic shipping window between July and end October seems destined to get longer. How much longer and how quickly remains to be seen. In a totally different environment in Canada, a similar debate is taking place on the St. Lawrence Seaway, which closes down between late December and late March.

Despite all the imponderables, some shipping lines have already begun doing research on the eventual feasibility of using the Arctic corridor to cut several thousand kilometers off the route between Japan, and Europe. What is an interesting concept today just may be a reality in a short period of time.

Let me move on and briefly comment on the role of the organization that I represent.

The **Chamber of Maritime Commerce** is comprised of more than 125 companies including some of the largest North American shippers, domestic and international shipping companies, ports, grain elevators and terminal operators, as well as many providers of marine services and equipment.

Our members are based both in Canada and the U.S. and extend to practically every region across the country. Our mandate is concentrated on presenting a strong voice to various levels of government on marine policy, legislation, and regulatory issues that affect the competitiveness of our members.

Our goal is to also increase awareness of the economic importance of the marine industry and the environmental, safety and social benefits associated with water transportation.

I think that one has to acknowledge the higher visibility of the marine industry in recent months and the focus within government on a number of important issues.

In fact, marine has been on the radar screen more than ever – starting with Transport Canada's National Marine Conference held in the fall of 2001 and with the work of the Panel reviewing the Canada Marine Act which is just finishing up. A new Transport Subcommittee has been set-up to deal exclusively with marine matters. And Federal Transport Minister David Collenette has also recently released the government's transportation blueprint, called **Straight Ahead**.

Although critics contend that much of the focus in the blueprint is devoted to air and rail – in my view, the opportunities for marine to fit into the government's policy agenda appear plentiful.

There are a number of policy statements within the document that clearly accommodate the marine sector. Among these, I would point to strategic infrastructure investment, interest in short-sea shipping, and environmental benefits that marine can offer in meeting Canada's greenhouse gas reduction targets.

While most stakeholders would generally claim that government tends to ignore the marine industry, the blueprint just may signal a change of heart, and perhaps, a change of direction.

As we all realize, there is no trade without transportation. And if it seems that transporting physical goods by sea is out of touch in a world of just-in-time delivery – consider that 95 percent of world cargo volume still moves by ship!

Looking at the overall contribution of the marine industry to our economy, more than 55% of Canada's international trade by volume is carried on ships. With a value approaching \$200 billion, Canadian ports handle nearly 400 million tonnes of cargo per year. The marine mode, in fact carries more cargo than rail and about twice as much as trucks do.

And I would be remiss if I did not single out the key contributions of the Port of Montreal and the important role it plays in the local economy and Canadian economy in general.

With its port, two airports, and railway and highway networks, Montreal is a strategic transportation hub on this continent. Situated 1,600 kilometers inland from the North Atlantic, the Port of Montreal handles even more transatlantic container cargo than mighty New York! Total box volume exceeds one million TEU's and is continuing to grow.

Of all the ports on North America's east coast, Montreal offers the most direct and cost-effective access to the markets of Central Canada, the U.S. Midwest and Northeast. Indeed, the Chicago area alone generates half of Montreal's overall container business.

Canada's vibrant trading relationship with the United States is also reflected in the shipping figures, especially transborder shipping in the Great Lakes region. Ships flying the Canadian flag transport nearly 60% of the marine cargo shipped between Canada and the United States.

The Great Lakes/Seaway system contributes more than \$6 billion to the economies of Canada and the United States. It directly supports more than 65,000 jobs in both countries.

So why are all these facts and statistics important? Well, the fact is that the marine industry remains one of the main drivers of the Canadian economy. For that matter, it is a major driver of the world economy!

And while the marine industry is largely de-regulated and controlled by private sector interests, the role of government is nevertheless key to its well-being.

During the 1990s, you will recall that all transport firms worked to increase efficiency and competitiveness through restructuring and rationalization initiatives, by upgrading worker skills and by introducing new technology and information systems. Intermodal transport became increasingly important in North America to meet the demand for rapid, seamless delivery systems.

At the same time, new government policies led to deregulation, commercialization and the introduction of cost recovery within the transportation industry.

However, in the context of deregulation, the marine industry ended up with a "not-so-level" playing field – particularly with our largest trading partner, the United States.

Proposals for liberalizing maritime trade in North America did not make it into the final draft of the 1988 Canada-U.S. free trade pact. Similarly, marine services were excluded from the North American free trade agreement implemented in 1994. Canadian marine interests deserve better access to the U.S. market than they are receiving in this apparent era of free trade.

No access or ownership restrictions exist in the railway industry. As a result, Canadian railways have made substantial acquisitions of American railroads in recent years. And Canadian shippers have profited from a continental railway network penetrating right down to Mexico.

The chief culprit here is the 1920 Jones Act, that some have called the world's longest-surviving protectionist legislation. The Jones Act restricts the carriage of American domestic waterborne cargoes to U.S.-built, U.S.-owned and U.S.-crewed vessels. It further prevents Canadian shipyards and ship repair companies from performing work on U.S. vessels engaged in U.S. domestic trade.

Canadian shipowners remain totally shut out of the U.S. coasting trade – even if no American ships are available - unless Congress agrees there is justification for national defense reasons. So, while coasting trade access has been improving in the European Union, it looks like the Jones Act will again be spared from tampering in the current Doha round of WTO negotiations.

Let me turn to commercialization and efforts to create a more competitive marine transportation industry.

The Canada Marine Act, introduced in 1998, paved the way for the commercialization of the St. Lawrence Seaway, the rationalization of Canada's port system, and provided an opportunity to modernize marine pilotage services. Five years have gone by and Ottawa is now considering if this legislation needs to be amended following the review recently conducted by an independent Panel.

Clearly, this is an opportunity to enhance the competitiveness of Canada's marine industry that must not be missed.

What are the key issues?

First – expanding the commercial flexibility of Canadian Port Authorities – particularly their ability to finance investments in much needed new infrastructure.

Canadian ports need much greater financing and borrowing flexibility, and ports should be eligible for investment grants from Ottawa to finance improvements in security and infrastructure in order to keep pace with the United States.

One has to appreciate that, contrary to the case of American ports, Canadian ports cannot receive grants or raise financing through tax-exempt bonds. The Port of Vancouver, for instance, cannot by itself finance the more than one billion dollars that it will need to invest in a fourth container terminal in the years ahead.

Second, maritime security – will sufficient funding be provided to ensure that Canada retains its competitive advantage?

As the marine industry prepares to implement the new standards of the International Ship and Port Facility Security Code, the issue of funding the various maritime security initiatives continues to be of major concern to industry stakeholders.

While the U.S. Congress has earmarked close to \$400 million dollars for American ports to spend on new security measures, Canadian ports still do not know how much aid they will receive from Ottawa. Canada's \$172 million marine security program announced last fall contains little direct aid to ports that have already spent tens of millions of dollars on additional security equipment since 9/11.

The danger here is that if Canadian ports do not match their U.S. rivals on the security front, then valuable cargo passing through Vancouver, Montreal and Halifax could shift to American ports.

Infrastructure funding and maritime security represent two key areas where Canada again finds itself on an un-level playing field with the United States. These are part of the reforms we would like to see integrated into amendments to the Canada Marine Act.

Third, the St. Lawrence Seaway – what’s in store for the future of this critical piece of marine infrastructure?

Identifying long-term marine infrastructure needs has become a strategic priority in the U.S., Europe and Asia. The range of infrastructure investments being made includes dredging rivers and channels, modernizing locks and dams, improving terminal capacities and access to rail, road and pipeline transport.

How to ensure the competitive survival of this Waterway is of critical importance to a region that accounts for one third of the combined population of Canada and United States. Within this context, a step in the right direction was the agreement finally announced just a few weeks ago between Canada and the United States to carry out a comprehensive review of the St. Lawrence Seaway and transportation on the Great Lakes.

Fourth - pilotage – can we finally get on with the job of modernizing pilotage, and for that matter, all our marine navigation services?

Unfortunately, there is little evidence of progress on the pilotage issue that has distressed Great Lakes carriers for a number of years. Pilotage tariff increases during the past decade have been running far in excess of the rate of inflation.

What is industry looking for? Well, to begin with - regulations governing pilotage should be brought in line with modern business practices and compulsory pilotage should not be imposed on vessels captained by masters who have a record of long service and safe navigation on the Great Lakes/St. Lawrence Waterway.

How, also, can one continue to justify compulsory pilotage, which hits the bottom line of carriers, when big investments in navigation technology -such as electronic navigation systems and AIS - have dramatically increased safety?

On a positive note, its worth mentioning that Transport Canada and the Department of Fisheries and Oceans are undertaking a study to evaluate how marine navigational services are currently provided and to determine if there are opportunities for commercialization. Perhaps this is what is ultimately required to improve pilotage in Canada.

One final issue that I wish to mention is industry’s concern regarding the Canadian Coast Guard and marine service fees.

The Canadian Coast Guard imposes charges on the commercial shipping sector of over \$35 million per year for navigational aids, dredging, vessel traffic services and icebreaking.

These are services which, arguably, the industry requires. But - services that are not provided in a cost effective manner, according to the Auditor General.

At the heart of the issue is the marine industry's concern that user fees are adversely impacting its market competitiveness. The same kinds of marine services are provided at no charge to users of competing waterways in other countries, particularly the United States. Marine-related user fees are, in fact, discouraging the use of the safest, most environmentally friendly mode of transport.

There has been mounting pressure from a powerful lobby of shipping and shipper interests to do away with this cost recovery mechanism. Eliminating Marine Service Fees would be a positive step in demonstrating the government's commitment to promoting Canada's vital marine sector and to enhance the competitiveness of Canadian industry.

Implementing a long-term agreement that eliminates the fees and establishes a framework for a strong partnership with the Coast Guard, would create a 'win-win' outcome for the government and the marine industry.

So are we moving in the right direction? It looks like we might be, but the jury's verdict is still not in!

It is really up to both government and industry to make it work!

Government must move quickly to translate their vision for marine transportation into an action plan that recognizes marine's role in meeting Canada's transportation and trade needs for the future.

And all marine industry stakeholders – and that obviously includes each of you here today – have an important role to play. It is through your ongoing work to advance marine technology and innovation that the marine industry's ability to compete effectively in both domestic and international markets will be strengthened. And, it your voice telling government that a successful marine industry is vitally important to the success of the Canadian economy.

This is an industry that deserves – not special treatment – just fair treatment.

Thank you once again to the conference organizers for the invitation to speak to you today.