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# British Columbia Coast Pilots: Observations on the 2018 Pilotage Act Review and Transport Canada Studies

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## 1.0 Executive Summary

*Growth in Canada's economy and communities will depend on increased shipping activity, which in turn demands public confidence in domestic and international marine safety, security and environmental protection regimes.<sup>1</sup> – Transport Canada*

Today, the Status Quo Model of Canada's National Pilotage System is<sup>2</sup>:

- Consistently delivers near 100 per cent safety and on-time performance ratings (*Canadian Marine Pilotage Authorities' statistic*)
- Is reliable and efficient (*AIM Research Study*)
- Makes significant and efficient use of simulation for training and for practicing new evolutions when operations are changing. (*Hammurabi Consulting*)
- Focus on safety does not adversely impact the competitiveness of Canada's marine trade. Rather the de-centralized model of government enhances Canada's maritime trade competitiveness (*AIM Research Study*)
- Does not create situations where poor safety practices give rise to extra costs for ship owners (*AIM Research Study*)
- Costs users of the service a meagre one-tenth of one per cent of the value of the cargo: a ratio that has been sustained since 1963 (*Data in the CTA Review; AIM Research Study; R.M. Campbell Report*)
- 100 per cent financially self-sufficient since pilotage fees are paid by the users of pilotage services, and thus not a burden to the Canadian taxpayer (*Pilotage Act requirement*)
- Canadian pilotage authorities' cost structures for labour and contracted services are consistent with international findings for pilotage authorities; and with other Canadian navigational services (*AIM Research Study*)

The British Columbia Coast Pilots ("BCCP") support the conclusion of the Canadian Marine Pilots' Association ("CMPA) in the June 7, 2018 letter to the Honourable Marc Garneau, regarding the 2018 Pilotage Act Review, which states:

*Caution must be exercised before introducing change in a high-performing system like Canadian pilotage where safety has to be the overriding consideration. This is especially the case at a time of great public concern about safe navigation and the marine environment, particularly in the context of the proposal to exponentially increase tanker traffic on the west coast. As Mr. Grégoire notes: "The public grows steadily more risk-averse and the 'social license' for marine transportation declines."*

In addition, due to the pending construction of the Trans Mountain and approval of LNG terminal projects, the amount of oil and gas transported along the west coast will increase substantially. Over the last five years, the total number of tanker assignments as increased by 13%, all professionally and safely navigated by BCCP on the coast without incident. Pilots' job in ensuring safe and efficient navigation of these types of materials, and the system they work within, become even more important when protecting the marine environment and the province's economic interests.

<sup>1</sup> "Waterways and Coasts Roundtable", Transport Canada, Vancouver, BC, July 4, 2016, p.1.

<sup>2</sup> AIM Group Inc. Economic and Competitive Considerations in the Provision of Marine Pilotage in Canada, February 17, 2018., Research Study prepared for Transport Canada to inform the Pilotage Act Review / R.M Campbell (Associate of Kates, Peat, Marwick & Co., Toronto, ON), Report on Evaluation of Economic Impact of Pilotage Costs", August 1967, prepared to inform the Royal Commission on Pilotage / KPMG, Pilotage Service, final report, February 2018, Research Study prepared for Transport Canada to inform the Pilotage Act Review / Canadian Transportation Act Review (CTA)

## 2.0 Introduction

*The Pilotage Act Review* is taking place in-step with the implementation of the Oceans Protection Plan (“OPP”), which is not only a major investment, but a catalyst that brings together government, Indigenous peoples, experts, communities, and the marine industry to ensure a world-leading marine environment and safety system. The goal of this Review is to provide a modernized legislative and regulatory framework that governs the functioning of Pilotage Authorities and the delivery of pilotage services in the future. Pilots have a critical role to play in this regime and a responsibility to work with others to understand and address the complexities of marine navigation.

As a result, when The Right Honourable Justin Trudeau, Prime Minister of Canada, announced that the OPP would review pilotage within the context of “tougher requirements for industry to prevent and improve response to marine pollution incidents,” the BCCP’s 120+ licensed marine pilots were pleased to participate in consultations carried out by *Pilotage Act Review Chair*, Marc Grégoire. The process was approached by embracing the Prime Minister’s vision: “Canada’s OPP is a robust national plan that will protect our oceans and coastlines from damage that comes from shipping and pollution.”

As part of the Review, Transport Canada commissioned 13 independent studies to examine various aspects of the Pilotage systems.

Highlights of the 13 independent studies are presented below.

## 3.0 Study Highlights

The 2018 *Pilotage Act Review* has resulted in a process that reinforces the current model is in the best interest of British Columbia, and is consistent with international practice for marine pilotage. This view is shared by the 13 studies prepared for Transport Canada that acknowledge the benefits of the current system. These reports assess issues such as efficiency, price, competition, technology, and the importance of regionalization, all of which were discussed in the *Pilotage Act Review Report*.

### A. Efficiency

Based on the roundtable sessions and stakeholder consultations, there is overwhelming support for the BCCP’s responsiveness to local needs, and financial and operational transparency. The BCCP has worked hard to earn this reputation for being efficient and reliable:

- BCCP assignments, period 2006 to 2017: **133,433** (steadily increasing year-over-year to 13,003 in 2017)
- BCCP total tanker assignments, period 2009 to 2017: **8,676**
- Under the professional guidance and advisement of BCCP, **no shipside pollutants** have been released in the waterways and **no injuries** have occurred
- Incident-free rating: **99.970** per cent
- Pilotage assignments start on-time: **99.98** per cent
- **Competitive** pilotage rates

The conclusion of the AIM Group Inc.’s Research Study “Economic and Competitive Considerations in the Provision of Marine Pilotage in Canada” (February 17, 2018), which was commissioned by Transport Canada to support the Pilotage Act Review, is:

<sup>3</sup> Canadian Marine Pilots’ Association Letter to the Hon. Marc Garneau, MP, Re: Pilotage Act Review – Report by Marc Grégoire, June 7, 2018, p.8

<sup>4</sup> Rt. Hon. Justin Trudeau, Oceans Protection Plan Announcement Speech, Vancouver, November 7, 2016.

<sup>5</sup> Rt. Hon. Justin Trudeau, Oceans Protection Plan Announcement Speech, Vancouver, November 7, 2016.

*The provision of marine pilotage service in all regions of Canada is subject to very, very low incident rates based on the publicly available safety data. The present system does not systematically create situations where poor safety practices give rise to extra costs for ship owners or cargo interests. As a result, the competitiveness of Canada's marine trade is not adversely impacted. Canadian marine pilotage authorities are world leaders when it comes to publicly disclosing safety performance statistics.*<sup>6</sup>

*From the perspective of reliability and responsiveness, the market for marine pilotage functions efficiently and does not impede economic competitiveness.*<sup>7</sup>



## B. Price

Within the international context, ***“Economic competitiveness is not an explicit criterion used to set pilotage dues. In the international jurisdictions reviewed, the major consideration given to the cargo interest is related to dangerous goods or marine safety.”***<sup>8</sup>

Transport Canada commissioned independent consultants, the AIM Group Inc., to conduct research to *“inform the policy discussion that is subject to the pilotage review”*<sup>9</sup>, explicitly to answer the question ***“whether they were economic and competitiveness considerations concerning the magnitude of costs borne by users in the provision of pilotage services in Canada.”***<sup>10</sup> The AIM Group Research Study, entitled *Economic and Competitive Considerations in the Provision of Marine Pilotage in Canada* (February 17, 2018) is a comprehensive document using 2016 data, and it presents findings across national, regional, and international levels, by cargo types [containerized, dry bulk (grain and others) and liquid bulk (oil)].

Under the current decentralized governance model of four Crown Corporations (with only employee pilots or pilot corporation pilots operating within a single pilotage district; and no eligibility for foreign masters to hold Canadian Pilotage Certificates), the AIM Group Research Study concluded:

<sup>6</sup> AIM Group Inc., prepared for Transport Canada, Economic and Competitive Considerations in the Provision of Marine Pilotage in Canada, February 17, 2018, p.10.

<sup>7</sup> AIM Group Inc., prepared for Transport Canada, Economic and Competitive Considerations in the Provision of Marine Pilotage in Canada, February 17, 2018, p.9.

<sup>8</sup> AIM Group Inc., prepared for Transport Canada, Economic and Competitive Considerations in the Provision of Marine Pilotage in Canada, February 17, 2017, p.9.

<sup>9</sup> AIM Group Inc., prepared for Transport Canada, Economic and Competitive Considerations in the Provision of Marine Pilotage in Canada, February 17, 2018, p.11.

<sup>10</sup> AIM Group Inc., prepared for Transport Canada, Economic and Competitive Considerations in the Provision of Marine Pilotage IN Canada, February 17, 2018, p.5.

*In 2016, the magnitude of pilotage costs amounted to approximately one-tenth of one per cent the value of Canada's maritime trade. Therefore, in the context of the national economy as a whole, pilotage costs do not negatively affect Canada's trade competitiveness for importers and exporters based on the cost of pilotage compared to the value of marine trade. In 2016, total pilotage costs at the Port of Vancouver amounted to 0.018 per cent of the value of maritime trade.*

This is consistent with data published in the 2015 Canadian Transportation Act Review, Volume 1:



*Pilotage in Canada is 100 per cent cost recovered from the users. Canada-wide, total pilotage in 2013-2014 totaled \$205 million. This works out to 41 cents per cargo tonne or 0.1 per cent of the total value of the cargo or \$0.00098 cents per dollar of international trade, based on data provided in the Canada Transportation Act Review, Volume 1.*

### C. Competition

Competitive Pilotage recommendations in the 2018 Pilotage Act Review include Crown Corporation employee pilots and Pilot Corporation pilots operating on the same roster within a single pilotage district; and foreign masters holding Canadian Pilotage Certificates.

To support the Pilotage Act Review, Transport Canada commissioned KPMG consulting group to conduct a research study of the models used in sixteen selected pilotage jurisdictions around the world in order to identify practices that could be adapted to the Canadian context.

KPMG's conclusions with respect to competitive pilotage:

*Most jurisdictions, including the European Union, the United States and Canada, have concluded that the public interest and marine safety are best served through pilotage services being provided, on an exclusive basis, by a single group of pilots in any given compulsory area. In some cases these services are provided through government owned entities, while in other cases these services are provided by a single private provider.*

<sup>11</sup> AIM Group Inc., prepared for Transport Canada, Economic and Competitive Considerations in the Provision of Marine Pilotage IN Canada, February 17, 2018, p.5-6

<sup>12</sup> Atlantic Regional Submission – Canadian Marine Pilots' Association, Pilotage Act Review final version, November 15, 2017, p.22.

<sup>13</sup> KPMG, Pilotage Service study, prepared for Transport Canada, final report, February 2018, p.1.

## D. Technology

The BC Coast Pilots are global leaders when it comes to the development of the cutting edge technology such as the Portable Piloting Units (PPU) which focus on precision while piloting a vessel.

- The BCCP consulted heavily on the safety mitigation for expanding heavier tankers in the Second Narrows. The discussions led to the development of a new navigation technology, independent of the ship's existing equipment, called Portable Pilotage Units (PPU). Its software is constantly being updated for tide and weather patterns, hazards such as rocks, marine traffic trends and other factors to help pilots navigate more safely, efficiently and accurately. These highly portable units are extremely accurate for position and are now a fundamental part of a pilot's tool kit
- The Portable Pilotage Units are now playing a key role in the protection of marine mammals
- The Portable Piloting Units are now enabling ports and waterways to accommodate ever expanding ship sizes and cargo volume both safely and efficiently.

Innovations also include the pilots' ability to incorporate technology into their practice to enhance the protection of the environment, respect cultural practices and bolster the public's trust in keeping the coastline and inland waters pristine. One of these innovations include working with tug operators in specific formations as ships enter and exit the ports. These types of innovations created by

## E. Regionalization

Each Canadian Pilotage Authority uses criteria for setting pilotage dues that address the distinct regional differences in both vessel navigation requirements and differences in traffic type and the volume of shipping activity. Any amalgamation of regional authorities can potentially result in the organization losing the ability to respond to local concerns. As KPMG consultants identified in their January 2018 report, this model's primary benefit is that it allows "responsiveness at the local level":

*The current [Status Quo] delivery model is advantageous over amalgamated models in local responsiveness because pilotage authorities have worked closely with industry representatives and clusters in their respective regions. This has created a sustained working relationship between Pilotage Authorities and local agencies. While this model is de-centralized and therefore slightly more difficult to implement technologies or regulations nation-wide, it is likely to respond to local needs the best, among other models considered.*<sup>14</sup>



the pilots enable Canada, and in particular the B.C. coast, as a gateway to international trade.

The BCCP currently makes significant and efficient use of simulation for training and for practicing new evolutions when operations are changing to ensure that pilotage remains modern, safe, and efficient, spending over 3,000 hours in training and simulations a year. The pilots' use of technology adds another layer of safety and amplifies their ability to protect the marine environment. However, careful thought will need to be given to how certain types of technology will impact the current pilotage model in B.C. and training guidelines. While technology may break down and malfunction, the pilot can still safely navigate any ship from one point on the coast to another using traditional means. They are highly trained professionals who use technology to enhance their skills as a mariner.

<sup>14</sup> KPMG, January 2018, prepared for Transport Canada, p.5. Source: <http://www.tc.gc.ca/en/reviews/international-comparisons.html>

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## 4.0 Conclusions

*Marine shipping enables Canada's trade and access to international markets, accounting for 75 per cent of Canada's non-U.S. exports and imports. Growth in Canada's economy and communities will depend on increased shipping activity, which in turn demands public confidence in domestic and international marine safety, security and environmental protection regimes.<sup>15</sup>*

Most jurisdictions, including the European Union, the United States, and Canada, have concluded that the public interest and marine safety are best served through pilotage services being provided, on an exclusive basis, by a single decentralized group of pilots in any given area. In the United Kingdom, for example, pilotage is provided and regulated at the port level, which has resulted in a number of problems with rates, safety and accountability. A similar situation occurred in Queensland, Australia that resulted in the state government having to alter the regulatory and service delivery model.

Today, the status quo model of Canada's National Pilotage System has the following benefits:

- Does not systematically create situations where poor safety practices give rise to extra costs for ship owners or cargo interests. As a result, the competitiveness of Canada's marine trade is not adversely impacted.
- Each Canadian Pilotage Authority uses criteria for setting pilotage dues that address the distinct regional differences in both vessel navigation requirements and differences in traffic type and the volume of shipping activity.
- Under the present system of pilotage, safety and reliability records are likely to continue to be high and the organizations will preserve the ability to respond to local concerns and issues.
- While this model is decentralized and therefore slightly more difficult to implement technologies or regulations nation-wide, it is likely to respond to local needs the best, among other models considered. This enhances marine environment protection and public safety.

Canadian Pilots protecting local interests protects the country as a whole. As ships become larger and increasingly challenging to navigate through confined or congested waterways, and as the transportation of petroleum, chemicals or hazardous materials along inland and coastal waters increases, marine safety and the environment need to be priorities.

As Canada moves towards amending the *Pilotage Act*, we hope to work with BC and Canadian leaders to ensure the best possible pilotage rules and system is adopted.

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<sup>15</sup> KPMG, Pilotage Service study, prepared for Transport Canada, final report, February 2018, p.8

<sup>16</sup> KPMG, Pilotage Service study, prepared for Transport Canada, final report, February 2018, p.8