



**Submission by the
St. Lawrence Economic Development Council
(SODES)**

**Brief Submitted as Part of the
Annual Pre-Budgetary Consultations to the
House of Commons Standing Committee on Finance**

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Executive summary

The St. Lawrence–Great Lakes Seaway and its components are vitally important to the economic development of Canada and its various regions. It provides leverage to businesses seeking access to an efficient transportation network so they can be competitive in an increasingly globalized economy. This system provides valuable access, linking North America's industrial heartland with the rest of the world. The region it serves is home to nearly 135 million North Americans.

Given its key role in our economy, the St. Lawrence–Great Lakes Seaway needs to remain at optimal efficiency; otherwise, our economic competitiveness would be negatively affected. This inevitably requires investment in the various Seaway components, including port infrastructure and equipment, to ensure that it addresses current and future freight transportation needs. At a time when the Government of Canada is looking to focus on the Ontario–Quebec Continental Gateway and Trade Corridor to promote our economic competitiveness, it is essential that the necessary funding be allocated to this important initiative.

Providing reliable, efficient marine services is another issue that has a major impact on the competitiveness of the St. Lawrence–Great Lakes Seaway. One problematic issue regarding these marine services is icebreaking and the aging fleet of Canadian Coast Guard icebreakers serving the St. Lawrence. This means there is uncertainty as to whether the Coast Guard is able to provide adequate icebreaking, particularly in the event of a breakdown affecting the icebreakers. The lack of backup equipment is cause for alarm. Marine transportation in one of North America's key transportation routes is at stake, with the significant economic impacts that would be caused by traffic disruption.

Closure of the Canadian Coast Guard's Quebec City Rescue Centre will also have an impact on commercial shipping on the St. Lawrence, particularly in winter. The expertise at the Quebec City Centre helps respond to calls for assistance from ships having trouble moving through the ice. This means that funding is needed to maintain the Canadian Coast Guard Search and Rescue Centre at Quebec City; otherwise, irreplaceable expertise for navigating the St. Lawrence will be lost at the Canadian Coast Guard.

Given the above, we therefore recommend the following:

Recommendation 1

Ensure that the necessary funding is available for Ontario–Quebec Continental Gateway development projects, including port renewal and expansion.

Recommendation 2

Provide adequate funding to the Canadian Coast Guard for a multi-year plan to renew the icebreaker fleet, including the renewal of St. Lawrence icebreakers.

Recommendation 3

Provide the necessary funding to maintain the Canadian Coast Guard Search and Rescue Centre at Quebec City.

Sodes

Sodes is a not-for-profit organization dedicated to representing and promoting the interests of the St. Lawrence marine industry. Its members are involved in all aspects of the industry: ship

owners, ports, marine shippers, stevedoring companies, sea terminals, piloting corporations, port cities, and many others. Sodes serves as the umbrella organizing representing the St. Lawrence marine community.

This brief submitted as part of the annual pre-budget consultations to the House of Commons Standing Committee on Finance outlines Sodes's recommendations. These recommendations are specifically focused on the Standing Committee's questions into how to achieve a sustained economic recovery and how to create quality sustainable jobs.

Economic importance of the St. Lawrence–Great Lakes Seaway

The St. Lawrence–Great Lakes Seaway and its components are vitally important to the economic development of Canada and its various regions. It provides leverage to businesses seeking access to an efficient transportation network so they can be competitive in an increasingly globalized economy. This system provides valuable access, linking North America's industrial heartland with the rest of the world. The region it serves is home to nearly 135 million North Americans.

The St. Lawrence–Great Lakes transportation corridor represents close to \$575 billion in international trade for Canada, including \$110 billion in international seaborne trade. The region served by the Seaway therefore represents close to 70% of Canada's entire international trade.

Given its key role in our economy, the St. Lawrence–Great Lakes Seaway needs to remain at optimal efficiency; otherwise, our economic competitiveness would be negatively affected. This inevitably requires investment in the various Seaway components to ensure that it addresses current and future freight transportation needs. Based on current global trends, international trade is expected to double every 15 to 20 years. This is certainly reflected in the growing pressure on transportation systems, which must be ready to meet this growing demand. All components of the international shipping system are affected, starting with the port system at the centre of overseas international trade. Also of note are intermodal connections that serve port facilities, such as road and rail access, which play a key role in the movement of freight traffic.

The challenge posed by maintaining and developing an efficient, competitive transportation system is made greater by the fact that the St. Lawrence port infrastructure is aging and will require investment to renew it. In many cases, port infrastructure renewal will include expansion projects to meet tomorrow's shipping requirements.

Ontario–Quebec Continental Gateway

In 2007 the Government of Canada, together with the Ontario and Quebec governments, announced the Ontario–Quebec Continental Gateway and Trade Corridor. The goal is to develop the St. Lawrence–Great Lakes transportation corridor in order to meet future shipping needs. This initiative falls within a national gateway development strategy to strengthen our economic competitiveness through a more efficient transportation system so as to avoid potential bottlenecks in various regions across Canada. Strategies were presented for the Pacific and Atlantic gateways. The Ontario–Quebec Continental Gateway and Trade Corridor strategy has still not yet been announced. However, work has been done as part of this initiative to document and identify what is needed to establish the Continental Gateway. The governments involved, including Canada, conducted several studies to fully analyze the Trade Corridor in order to ultimately develop a strategy and action plan to guide future actions.

Representatives from the private sector serve as policy advisors to the governments within the Continental Gateway structure. The private sector has also taken steps to identify priorities for establishing a St. Lawrence–Great Lakes trade corridor. It has therefore produced a study that outlines key shipping trends and the anticipated bottlenecks within the system. A series of recommendations has also been made in terms of infrastructure investment as well as other measures in such areas as regulations and labour force training.

One of the key points in the private sector recommendations concerns expanding port system capacity on the St. Lawrence. Ports are gateways for almost all international trade to and from overseas, and it is critical that they remain competitive for the sake of our businesses' competitiveness and our economic vitality. The private sector vision for the Trade Corridor certainly involves considerable government investment. This investment is crucial to achieve the following key objectives:

- Strategically position the St. Lawrence–Great Lakes Corridor on continental and world markets to meet expected demand over the next 10 to 20 years;
- Improve the transportation system's long-term competitiveness by delivering services, infrastructure and a regulatory environment that are effective;
- Maximize the Corridor's human and material resource potential; and
- Promote prosperity and an improved quality of life for the region by operating a safe, reliable and green transportation system.

The recommendation regarding the Continental Gateway is framed within the context of the above objectives and the major role the St. Lawrence–Great Lakes Seaway plays in driving our economic growth.

Recommendation 1

Ensure that the necessary funding is available for Ontario–Quebec Continental Gateway development projects, including port renewal and expansion.

Canadian Coast Guard icebreaking services

Providing reliable, efficient marine services is another issue that has a major impact on the competitiveness of the St. Lawrence–Great Lakes Seaway. One problematic issue regarding these marine services is icebreaking and the aging fleet of Canadian Coast Guard (CCG) icebreakers serving the St. Lawrence. This means there is uncertainty as to whether the CCG is able to provide adequate icebreaking, particularly in the event of a breakdown affecting the icebreakers. The lack of backup equipment is cause for alarm. Marine transportation in one of North America's key transportation routes is at stake, with the significant economic impacts that would be caused by traffic disruption.

Five vessels in the CCG icebreaking fleet are already over 30 years old, and several others are not much newer. The aging fleet is a major cause for concern in light of its potential impact on safe and efficient marine operations in winter. The CCG highlighted the fact that their

icebreakers will soon reach the end of their useful lives and that they are expensive to maintain due to maintenance and repair requirements that make them unavailable for service.¹ The situation is all the more alarming given that it may take up to ten years to bring new vessels into service, during which time the current stock will continue to be relied upon.

The CCG has sought funding from the Department of Finance for a multi-year fleet renewal plan, including the renewal of icebreakers on the St. Lawrence. In the view of Sodes, funding such a plan is essential since it would provide for the replacement of aging Coast Guard vessels according to a pre-determined schedule rather than taking a piecemeal approach with all the uncertainty this would imply regarding the future reliability of the St. Lawrence icebreaking fleet.

For a number of years now, the St. Lawrence marine industry has been calling on the Government of Canada to provide the funding needed to renew the CCG icebreaking fleet. Sodes wishes to restate this request given the critical importance of the Canadian Coast Guard icebreaking fleet to the safe and efficient operations of the St. Lawrence–Great Lakes Seaway, the competitiveness of this critical transportation route for trade, and our economic competitiveness.

The approved plans to replace the CCG fleet do not provide for the replacement of the aging icebreakers in the St. Lawrence. Of the planned \$1.6 billion investment, \$720 million is earmarked for the construction of a new polar icebreaker to be ready for 2017. It would be mainly for Northern operations and would not expand the service available to St. Lawrence shipping.

Recommendation 2

Provide adequate funding to the Canadian Coast Guard for a multi-year plan to renew the icebreaker fleet, including the renewal of St. Lawrence icebreakers.

Canadian Coast Guard Search and Rescue Centre at Quebec City

The Canadian Coast Guard recently announced the closure of the search and rescue coordination centre in Quebec City due to insufficient funds to maintain it. This will lead to job losses for about 10 staff providing the various users of the St. Lawrence with bilingual search and rescue services. Recreational boating on the St. Lawrence will be the first industry to suffer the impact. Each year, between 1,000 and 1,500 distress calls are made on the St. Lawrence, mainly by boaters. These calls will now be handled in Ontario and Nova Scotia. Several are concerned about the capacity of these centres to respond to these distress calls quickly and efficiently in English and French. Another concern lies with the loss of Coast Guard response expertise specifically regarding the St. Lawrence. Staff at the Quebec City office possess unique expertise in navigating the St. Lawrence, which may be lost with the closure of the Quebec City centre. This closure could lead to delays in Coast Guard rescue operations on the St. Lawrence, thereby endangering lives.

Closure of the Canadian Coast Guard's Quebec City Rescue Centre will also have an impact on commercial shipping on the St. Lawrence, particularly in winter. The expertise at the Quebec City Centre helps respond to calls for assistance from ships having trouble moving through the ice. The special expertise possessed by Quebec City centre staff in navigating and icebreaking

¹ Canadian Coast Guard, *2008–2009 Fleet Annual Report*.

on the St. Lawrence is at risk of being lost, thereby reducing the quality of absolutely essential services for shipping. The St. Lawrence Seaway's efficiency and competitiveness are at stake here, and we firmly believe that it is not acceptable to compromise in this area or in terms of safety.

Recommendation 3

Provide the necessary funding to maintain the Canadian Coast Guard Search and Rescue Centre at Quebec City.