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Christine Lafrance, Clerk of the Standing Committee on Finance
Sixth Floor, 131 Queen Street
House of Commons
Ottawa ON K1A 0A6

Canadian Ferry Operators Association Submission for 2014 Pre-Budget Consultations

Executive Summary

The Canadian Ferry Operators Association (CFOA) is the national voice of the ferry industry in Canada. Our members adhere to the highest professional and operational standards and promote the safe delivery of ferry services across Canada.

Ferries are an integral part of Canada's transportation infrastructure system with many provinces operating ferry services as an important component of their highway networks. Some remote parts of the country are only accessible by ferries, and many ferry services across the country are operated by public entities, funded by taxpayer dollars to provide a vital service. In some regions of the country, ferry services are a linchpin to the economic development of the area.

The marine sector and the ferry sector specifically are facing looming labour shortages and challenges recruiting the skilled marine workers necessary for the continued safe operation of Canada's ferries. CFOA has made some progress in working with Canada's marine training institutions on this issue, but more needs to be done. Government support could help ferry operators get the labour they will desperately require and give Canadians the skills they need for rewarding careers in the marine sector.

More needs to be done to recognize the important role ferries play in the infrastructure of our country and the strong return on investment they offer. While infrastructure investments in roads and bridges are often lauded for their potential economic impacts, ferries must be seen in the same light, especially in regions for which they are the primary access point.

Finally, Canada's current tariff regime greatly inflates the cost of renewing ferry fleets across the country with little benefit to the shipbuilding industry, and it increases costs for ferry users. The import tariff on passenger vessels under 129 metres in length should be eliminated to better serve the interests of Canadian taxpayers.

About CFOA

Federally incorporated in 1987, CFOA is a member-based organization representing Canadian ferry owners, operators and industry stakeholders across the country. Our association has more than 60 members, accounting for nearly all of the major ferry routes in Canada.

Collectively, CFOA's members:

- Run a fleet of almost 180 ferries
- Employ approximately 8,400 people directly
- Generate 22,600 jobs
- Carry 45.1 million passengers and 17.5 million vehicles annually

Supporting Families and Helping Vulnerable Canadians by Focusing on Health, Education and Training

CFOA members firmly believe in supporting a well-trained workforce to ensure they provide the safest, most efficient and affordable services possible. In fact, Canadian ferry operators are some of the safest anywhere in the world, and much of our strong record can be attributed to a highly skilled workforce.

However, one of the greatest challenges that will be facing our sector in coming years is the recruitment of professionally trained mariners, marine engineers and other marine workers that are necessary for the continued safe operation of Canada's ferries. BC Ferries, one of CFOA's largest operators, expects to lose nearly 50% of its workforce over the next ten years. That is a staggering number of skilled positions to fill over the coming years from just one ferry operator.

At the same time, Canada's marine training institutions face challenges recruiting young people into the marine sector.

The Government of Canada has recognized Canada's challenges with labour shortages and skills gaps in various sectors, and it has made investments to begin to address these challenges. If ferry operators are unable to find the skilled labour they require, ferry services will be impacted, which could result in service interruptions and stunt the economic growth of regions that depend on ferries.

Recommendation: The Government of Canada should continue its support of initiatives to address labour shortages and skills gaps, including supporting sector initiatives that would make it easier for young Canadians to pursue a career in the marine sector.

Ensuring prosperous and secure communities, including through support for infrastructure

While ferries form an integral part of Canada's transportation infrastructure, they are often omitted in discussions of our infrastructure deficit and the benefits of investing in infrastructure. For parts of the country where ferries are the only viable option for transporting people and goods, those services are just as vital as bridges and roads, if not more important.

The New Building Canada Fund does not address sufficiently the support of ferry infrastructure. It ignores key realities of the sector, and despite being a respectable effort to support some parts of the transportation sector it ignores the needs of some key rural regions. Our intention here is not to ignore the support given by Transport Canada to some of our members but rather to highlight the fact that Infrastructure Canada has not adequately recognized the importance of ferries in Canada.

Recommendation: The Government of Canada should recognize the importance of ferry services to Canada's infrastructure system and ensure that investments in ferry services are eligible under the New Building Canada Fund and subsequent programs directed to investments in infrastructure.

Improving Canada's taxation and regulatory regimes

On October 1st, 2010, Finance Minister Jim Flaherty announced a tariff relief measure, waiving the 25% tariff on imports of all cargo vessels and tankers, as well as ferries longer than 129 metres. This change was supported by the ferry sector in Canada and reflected the importance of affordable and sustainable ferry service to Canada's economy and social fabric.

However, ferries shorter than 129 metres are still subject to the 25% import tariff, the highest rate of duty for industrial goods imported into Canada. Only ferries continue to be subject to this high tariff rate designed to protect Canadian shipyards. The need to protect Canada's shipbuilding industry in such a way no longer exists, and the tariff only serves to impact the competitiveness and accessibility of an integral part of Canada's transportation infrastructure and economy.

Most recently, CFOA member BC Ferries announced the awarding of a \$165 million contract to a Polish shipyard for the building three new vessels. The only Canadian shipyard to bid on the project withdrew, citing prior commitments. Federal taxes and import tariffs on these vessels will total \$51 million, where no domestic shipyard could do the work, largely due to a lack of capacity. Unfortunately, the brunt of this added cost will be borne by taxpayers and end users who rely on a ferry service that is integral to the economy of coastal British Columbia.

The 25% tariff stands to impact nearly \$700 million of new vessel purchases by Canadian operators over the next five years, operators that are an integral part of the transportation infrastructure in many parts of the country.

The current import tariff on small ferries increases costs for taxpayers and requires ferry operators to defer needed renewals of their fleets. With the National Shipbuilding Procurement Strategy (NSPS) ensuring work for shipyards across the country, the tariff does little to protect a Canadian shipbuilding industry that is already struggling to meet demand. However, removing the tariff means more operators can renew their fleets sooner, which would result in better services to end users, reduced emissions, and more sustainable and efficient operations.

Recommendation: The Government of Canada should eliminate the 25% import tariff rate on ferries under 129 metres. Alternatively, a remission of customs duties for ferries under 129 meters should be instituted for the next five years to allow Canadian ferry operators to renew their fleets in the short term until Canadian shipyards can once again meet domestic demand once their commitments under the NSPS are completed.