Canadian Shipowners Association

CTRF
Opening Plenary Session
CSA Issues
May 31, 2010

Wayne Smith
Chairman, CSA
and
Senior Vice President, Commercial
Algoma Central Corporation

WHO WE ARE

- CSA celebrated 100th anniversary in 2003
- Represents Canadian companies operating Canadian-flagged vessels in the Great Lakes-St. Lawrence Waterway, East Coast, Arctic
- 7 member companies

Algoma Central Corporation
Canada Steamship Lines Inc.
Groupe Desgagnés Inc.
Provmar
Seaway Marine Transport
Upper Lakes Group Inc.
McAsphalt Marine Transportation

- 67-vessel fleet handles 62 million tonnes of bulk commodities and general cargo over 73 billion cargo tonne kilometres (2008).

CSA MANDATE

- Promote an economic and competitive Canadian marine transportation industry through strong working relationships with marine industry partners, governments, local industries
- Promote safe, reliable, economic, environmentally sustainable marine transportation
- Contribute to Canada's competitiveness through marine transportation
- Help to shape marine policy, legislation, regulation and operations

THE FLEET

- 2008 Fleet: 67 vessels, 73 billion tonne-km
- 17 bulkers
- 32 self-unloaders
- 12 tankers
- 6 other general cargo type vessels

MARINE CONTRIBUTION

- 2009 Ontario Marine Transportation Study, prepared for the OMTF and MTO found annual expenditures by marine companies in Ontario generates $2.6 billion in Ont. GDP.
- 2007 Great Lakes / St. Lawrence Seaway Study by Transport Canada and US DOT estimated annual savings for shippers using the St. Lawrence Seaway to be $2.7 billion.
- Marine transportation is a key element in Canada's intermodal transportation network - linking rail, trucks, pipelines and international marine shipping.
- Marine transportation is an environmental and efficient mode. It has the capability to expand and is recognized as having the potential to play a key role in the future of sustainable freight transportation in Canada.

MARINE CONTRIBUTION INDUSTRIES SERVED

- Marine transportation provides essential services to core Canadian industries- for many of these industries Marine is the only viable alternative.

INDUSTRIES

- Steel
- Power Generation
- Agriculture
- Construction
- Salt
- Petroleum
- Forest Products

COMMODITIES

- Iron ore, Met Coal
- Thermal Coal
- Grains, fertilizers
- Aggregates, gypsum, cement
- Road safety, chemical
- Petroleum products, chemicals
- BioMass Potential

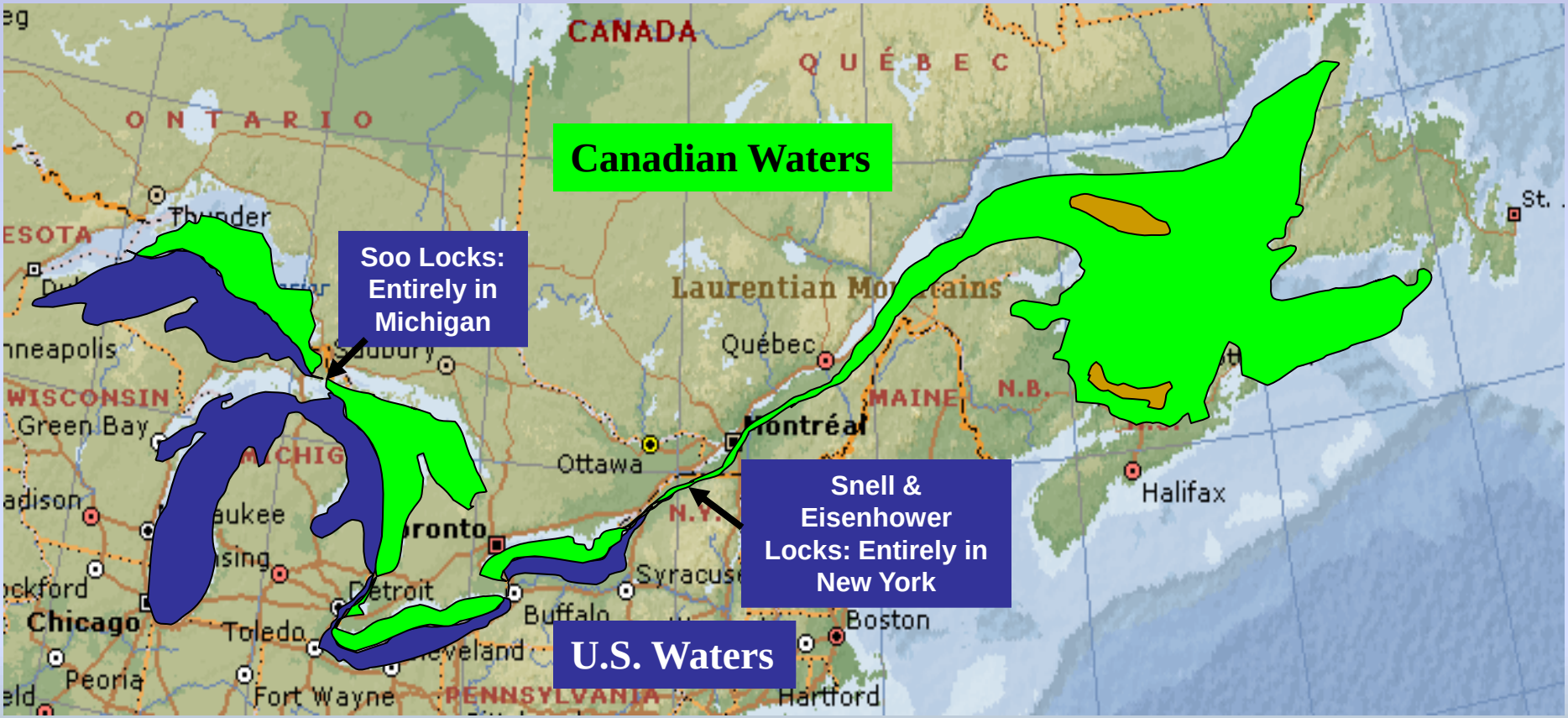
CSA PRIORITIES AND CHALLENGES

- **Environmental Performance**
  - Ballast Water
  - Air Emissions
  - Green Marine
    -Industry response

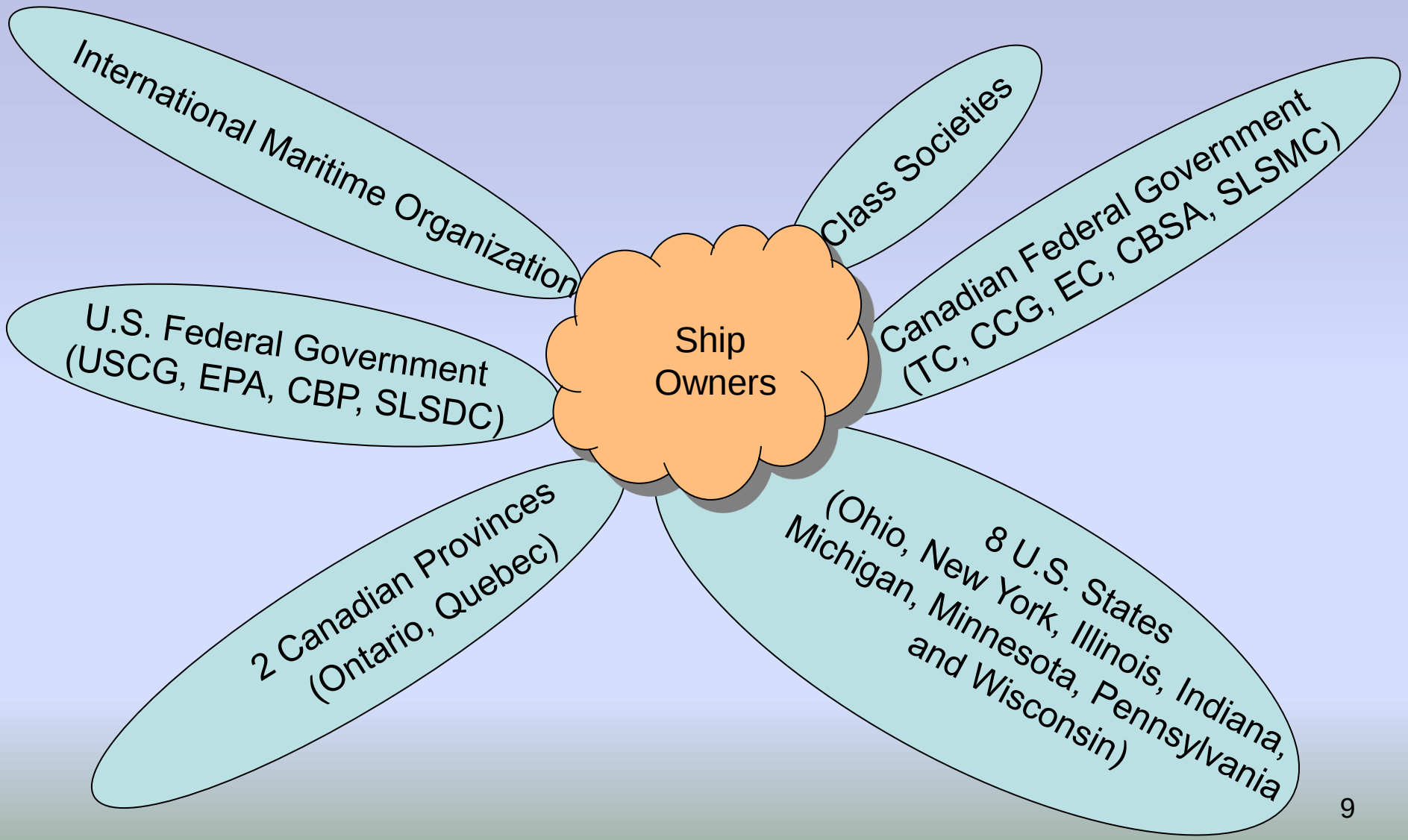
- **Fleet Renewal**
  - Removal of 25% import duty

- **Human Resources**
  -Future workforce and training

NUMEROUS INTERNATIONAL CROSSINGS ON THE GREAT LAKES – ST. LAWRENCE



REGULATORY PRESSURES FROM MANY JURISDICTIONS



MARINE TRANSPORT PERFORMANCE- SAFETY & THE ENVIRONMENT

- Marine transportation is a heavy user of energy but numerous studies point to the environmental and safety advantages of marine transportation.
- The 2007 Lawson Study for Transport Canada found;

Category	Marine Factor	Marine Index	Rail Index	Truck Index
Energy Efficiency	130 kjoule/t-km	1.0	2.2	9.7
Air Emissions	15.73 g/t-km	1.0	1.4	7.6
Accidents	0.026/100M t-km	1.0	13.7	74.7
Spills	0.008/100M t-km	1.0	10.0	37.5
Noise Levels	66 dB	1.0	1.4	1.3

ENVIRONMENTAL ISSUES- BALLAST WATER

- This issue concerns i) the introduction of non-indigenous species to the Great Lakes by international vessels and ii) the movement of such species within the Great Lakes through the ballast operations of ships.
- Salt water flushing of ballast tanks on international vessels and compulsory inspections of vessel ballast tanks at Montreal has proven to be an effective approach to protecting the Great Lakes from non-indigenous species carried by vessels.
- Main problem- US regulatory framework through EPA Vessel General Permit allows US States to invoke individual regulations some of which have resulted in unachievable and inconsistent state standards.

WATER DISCHARGE RESTRICTIONS

BALLAST WATER

- Industry has called for one Great Lakes – St. Lawrence ballast water standard.
- US Coast Guard announced in August 2009 their intention to regulate all BW discharges in US waters.
- Phase 1 req't (IMO std.) and Phase 2 req't (IMO std. times 1000, when practicable).
- Does not pre-empt more onerous State regulations (eg: New York).
- Does not address the technological challenges of the unique Great Lakes operating conditions and the challenge of retrofitting existing ships.
- Clearly, for this international waterway we need a consistent, stable, achievable bi-national approach to ballast water management. Once technology is developed and employed, ship owners need to know the rules won't be changed.

ENVIRONMENTAL ISSUES- AIR EMISSIONS

- Canada and the US petitioned IMO to establish a coastal ECA (emissions control area) around North America.
- This is an important initiative that addresses the very sulphur content fuels typical used by vessels operating in international waters.
- The ECA will limit the sulphur content in marine fuels to 1% by 2012, 0.1% by 2015.

ENVIRONMENTAL ISSUES- AIR EMISSIONS

- US EPA subsequently announced the extension of the coastal ECA to the Great Lakes.
- This is definitely not the same issue on the Great Lakes Sulphur contents of fuels are much lower than international standards and range from 1- 1.7%. Sulphur limits are a function of refinery feedstocks and refining capabilities.
- Domestic ships operate in a competitive multi-modal environment; a potential doubling of fuel costs may lead to modal shift and possibly a global shift of some Great Lakes area industries that depend on marine transportation. Any intermodal shift of cargo off marine will increase overall GHG emissions.

OUR AIR EMISSION OBJECTIVES

- The domestic marine industry supports the objective of reducing marine air emissions.

- We support a more rational approach to reducing air emissions that will;
  - Phase in sulphur limits over an achievable timeframe to match IMO requirement of 2020, and
  - That will meet the timeline for needed fleet renewal and that will create an investment climate conducive to the renewal, modernization and “greening” the Canadian fleet.

SOLUTION- A BI-NATIONAL APPROACH

- Following the EPA's action to create a Great Lakes ECA, the US Congress changed the EPA's proposed rules, by exempting steamships from the application of the new rules. Ironically, steamships are the biggest emitters.
- The CSA has been working closely with Canadian officials to develop a Canadian approach to improving vessel emissions.
- The approach entails a longer phase-in timeline but through fleet averaging it retains the environmental benefits, lessens the potential for adverse economic and environmental consequences and supports the renewal of the Canadian fleet.
- A bi-national waterway needs a coordinated policy.

INDUSTRY RESPONSE: "GREEN MARINE"

- A voluntary, bi-national, industry-wide sustainability initiative
- Shipping companies, ports, terminals & Seaway
  - Launched in Great Lakes – St. Lawrence region
- Objectives:
  - Reduce industry's environmental footprint
    -Establish environmental metrics and measure performance
  - Build strong relationships with stakeholders to improve their understanding of the industry

GREEN MARINE PERFORMANCE

- Currently 44 companies participating;
  - 16 - Shipping companies
  - 17 - Ports
  - 9 - Terminals
  - 2 - St. Lawrence Seaway

- 2009 was the second year of environmental reporting.
- Environmental performance has improved by 25% in 2008.
- Performance results are audited by a 3rd party (Lloyds Register).

MARINE SECTOR COUNCIL

- Situational Analysis Report recently completed.
- Alarming labour shortages in the marine industry.
- Need for;
  - Improved perception of the industry
  - Career awareness
  - Funding for training (eg: Georgian College)
  - National marine labour strategy
- Labour, industry and training institutes working together to set up a Marine Sector Council.

Industry's No 1 Issue- 25% Import Duty

- Canadian flag fleet renewal is needed today. Average age of fleet is 35 years.
- Vessels imported into Canada are subject to 25% import duty. This duty has no equal among major Cdn transportation modes.
- Duty has become a serious impediment to fleet renewal.
- Cdn shipyards have not built a full-size Cdn bulk carrier or tanker in 25 years. They cannot efficiently and competitively build these ships.
- Cdn shipyards need to focus on niche Canadian requirements such as those of the Canadian government.

Industry's No 1 Issue- 25% Import Duty

- The Ontario / Quebec / Federal- Continental Gateway initiative has recognized the need to renew the Canadian flag fleet and to support emerging shipping requirements as part of a sustainable transportation system.
- The Ontario Marine Study found that the need to remove the 25% Canadian vessel import duty to allow a renewal the Canadian fleet is one of the most important issues faced by the industry today.
- New ships will bring significant improvements in terms of the modernization of vessel technology, the optimization of efficiency and improvements in environmental performance.

CONCLUSION- CDN FLEET RENEWAL WILL REQUIRE;

- Immediate removal Canada's 25% vessel import duty. The Cdn Federal government announced in October, 2009 a proposal to eliminate the 25% import duty on certain vessels but this has not yet been enacted.
- A stable, predictable and achievable regulatory regime; for ballast water, air emissions and other areas of common interest where regulations match requirements with capabilities, both technologically and economically.
- A shared understanding that marine plays an essential role within Canada's existing transportation infrastructure and that this role can be enhanced in a sustainable and eco-friendly future for Canadian transportation.

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Thank You

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