



Submission on Pre-Budget Consultations February 19, 2021

EXECUTIVE SUMMARY

The Shipping Federation of Canada, which represents the owners, operators and agents of the ocean ships that deliver Canada's imports and exports to and from world markets, believes that the investment priorities outlined below will play a key role in strengthening and modernizing Canada's transportation network and trade corridors. We also believe that these priorities will be particularly important as we transition to a new, post-pandemic economic normal, where the ability to find the appropriate intersection between Canada's trade growth objectives and its other major goals, including those related to climate and sustainability, will play a key role in achieving a successful recovery over the long term.

Investment Priorities and Recommendations for Budget 2021

Trade Enabling Infrastructure

- Recapitalize the National Trade Corridors Fund (NTCF), with a view to opening a new call for proposals at the earliest opportunity;
- Provide relief for projects that were approved under the 2017-2019 round of NTCF proposals, but which incurred construction delays or additional expenses due to the COVID pandemic.

Trade Chain Digitization

- Develop a multi-year plan to digitize Canada's marine transportation network by implementing "Port Community System" pilot projects in the Atlantic, St. Lawrence/Great Lakes and Pacific regions;
- Leverage these pilots as gateways for advancing the "single window" reporting model for government agencies that interact with the marine mode and other trade chain stakeholders.

Green Shipping

- Launch and help finance a national network of green shipping incentive programs to encourage ships that have implemented actions that are aligned with Canada's major environmental priorities to call Canadian ports.

Marine Mammal Protection

- Develop a multi-year, strategic plan to maximize the efficiency of whale detection efforts in Canada's major shipping corridors;
- Provide ongoing investment in technologies to measure vessel underwater noise in order to better understand (and address) its impacts on at-risk whales.

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Introduction

We are writing on behalf of the Shipping Federation of Canada, which is the national voice of the owners, operators and agents of ocean ships that carry Canada's imports and exports to and from world markets. Our members represent over 200 shipping companies whose vessels make thousands of voyages between Canadian ports and international markets every year, carrying hundreds of millions of tonnes of cargo, ranging from dry bulk commodities such as grain and coal – to liquid bulks such as crude oil and oil products – to containerized consumer and manufactured goods. These ships carry the vast majority of Canada's (non-U.S.) international trade and thus play an essential role in the Canadian economy and the prosperity of all Canadians.

We appreciate this opportunity to provide input into the pre-budget consultation process, and to highlight investment priorities for Canada's marine transportation system. It is worth noting that this system does not exist in isolation, but is part of an integrated logistics network in which all of the various parts – from ships, ports and marine terminals, to intermodal rail and road connections, to inland warehouses and distribution centres – must work together to deliver goods to and from world markets in a safe, efficient, competitive and environmentally responsible manner.

The recommendations set forth in this submission will be particularly important as we transition to a new, post-pandemic economic normal, where the ability to find the appropriate intersection between Canada's trade growth objectives and its other major priorities, including those related to climate and sustainability, will be key determinants in achieving a successful recovery over the long term.

Trade-Enabling Infrastructure

One of the most important means of stimulating economic activity and generating employment in the post pandemic world will be infrastructure investment, particularly as relates to projects that strengthen and expand Canada's trade capacity on both a national and international level. Investment in trade-enabling infrastructure was a priority item on the federal agenda well before the pandemic struck, with a key investment tool being the National Trade Corridors Fund (NTCF). That fund was established in 2017 as part of the government's *Investing in Canada* plan, and allocated \$2.3 billion in funding to infrastructure projects that support trade and growth by ensuring capacity and fluidity through Canada's major trade corridors.

Although the NTCF was launched as an 11-year initiative, its initial funding envelope was depleted after just three calls for proposals (the first in 2017 to address critical transportation bottlenecks, the second in 2018 to address transportation needs in Canada's North, and the third in 2019 to address Canada's trade diversification objectives). The level of stakeholder interest in the NTCF provides clear evidence of the need to upgrade and modernize Canada's transportation infrastructure, particularly in a context where all of Canada's major ports expect to see an increase in the volume of trade moving through their facilities over the coming years, and will therefore be more reliant than ever on a fully optimized transportation

system that is able to channel the resulting cargo in the most efficient and cost-effective manner possible.

Given the ongoing need to strengthen and expand the transportation infrastructure that is so essential to the Canadian economy, we recommend that the 2021 budget include provisions to recapitalize the NTCF, with a view to opening another call for proposals at the earliest opportunity. We also recommend that the 2021 budget provide some form of relief for projects that were approved under the 2017-2019 round of proposals, but which incurred construction delays or additional expenses due to the COVID pandemic.

The combination of these measures will help ensure that work on shovel-ready projects (or those that are close to being so) can begin within a relatively short timeframe (which is key to a successful post-pandemic recovery), while also providing assurance of the government's ongoing commitment to modernizing Canada's transportation infrastructure in order to meet its long trade growth and trade diversification objectives.

Trade Chain Digitization

Although investment in trade-enabling infrastructure is an essential element of Canada's economic recovery in a post-pandemic world, it is important that such investment encompasses not only physical assets such as ports, terminals, roads, bridges, rail lines, etc., but also extends to digital tools and processes that enhance the ability of stakeholders to manage and extract value from the huge volumes of data that are the lifeblood of our supply chains overall. This is particularly crucial in a context where our ability to increase physical infrastructure is often constrained by factors such as a lack of space in congested urban areas, environmental concerns, or community pushback – and yet the need to derive every possible drop of efficiency from our transportation and logistics systems remains unchanged.

An excellent example of the tremendous potential that digitization offers in this respect lies with the Port Community Systems (PCS) that have been implemented in other parts of the world in recent years (including in the European Union). The PCS concept is aimed at creating a more integrated and fluid logistics process by connecting the data transmission systems that are already operated by individual trade chain stakeholders into a single information hub operated on a digital platform. The data that flows through such a system can then be leveraged to gain better insight and visibility into the performance of specific trade corridors and transportation routes, making it easier to not only respond to efficiency challenges in real time, but to potentially predict and address such challenges before they occur.

Although some of Canada's major ports are in various stages of developing their own digitization platforms, as are a number of their trade chain partners, we believe that Canada needs a much bolder vision and a more fully integrated, national approach if its ports and trade routes are to fully benefit from the kinds of efficiency gains these platforms offer. We therefore recommend that the 2021 budget provide funding for a multi-year plan - overseen by Transport Canada - to concretely advance the Port Community System model in Canada through the implementation PCS pilot projects in the Atlantic, St. Lawrence/Great Lakes and Pacific regions.

The development of these pilots, which should be led by the major ports in each of the above-noted regions, will require a high level of collaboration between ports and their trade chain partners (pilots, tug operators, terminals, shipping lines, marine agencies, inland carriers, etc.) - in order to assess how each partner's individual data transmission system (and data needs) can be integrated into a digital platform that can be leveraged for the benefit of the transportation system overall (in terms of gains in efficiency, safety, trade route competitiveness, etc.).

The implementation of these pilots should also serve as a gateway to the advancement of a “single window” reporting concept in Canada, by providing federal departments, and the Canada Border Services Agency in particular, with a portal through which they can extract the specific data elements they require for border management purposes without the need for any additional reporting on the part of individual trade chain partners. It is worth noting that the International Maritime Organization (which is the U.N. agency that regulates maritime activity) has been championing the development of a single window model for the maritime mode for the past several years, and the concept is in various stages of implementation in several EU nations as part of the port community systems they already have in place.

Incentives for Green Ships

If Canada is to build a truly effective post-COVID economy, the government’s investment in physical and digital infrastructure that increases the efficiency of Canada’s trade routes must be accompanied by investment in actions that advance Canada’s climate agenda and contribute to the greening of its trade chain overall. As far as Canada’s marine transportation system is concerned, this must include actions to encourage green ships to call Canadian ports, which would not only contribute to the sustainability of Canada’s trade routes, but also create a climate that fosters investment and innovation in clean shipping technologies.

Towards that end, we recommend that the 2021 budget include measures to support the development of a concerted national effort – led by Transport Canada – to establish and help finance a network of green ship incentive programs at ports across the country. Under such a network, ports would provide financial incentives – in the form of reduced port fees or other rebates – to ships that have implemented practices or made investments that are linked to Canada’s major environmental priorities, including the reduction of GHGs and harmful air emissions, and the protection of marine mammals from the risk of ship strikes and the impacts of vessel underwater noise. Ships would be eligible for such incentives based on a range of environmentally sustainable practices, including the use of green technologies, the burning of cleaner fuel, the implementation of green operational practices, or membership in existing environmental programs such as Green Marine or the Clean Shipping Index.

The establishment of such a program across Canada would play a significant role in encouraging green ships to call Canadian ports and further incentivizing them to continue making green investments in the future. Once this effort is well underway, Canada should then work to harmonize its green port incentive program at a regional level with U.S. ports on common shipping routes – in addition to continuing to pursue this issue at the International Maritime Organization. Not only would such action help advance Canada’s climate goals and contribute to a sustainable post COVID economic recovery, it would also support the shipping industry’s global decarbonization agenda, which is aimed at reducing GHGs by 50 percent by 2050 and moving to full decarbonization thereafter.

Marine Mammal Protection

In recent years, the Canadian government has worked closely with the maritime industry to better manage interactions between at-risk whales and ships operating in Canada’s vital trade corridors. A major tool in this respect is the use of whale detection technologies as a prerequisite for addressing the impacts of vessel underwater noise and the possibility of ship strikes – which are the two most important risks that shipping activity poses to whales. Although significant progress has been made in the testing and deployment of detection technologies over the last three years, much more remains to be done in terms of increasing their coverage, achieving greater complementarity of detection tools, and developing

a better understanding of how to best use the near real-time information these technologies provide. Given these ongoing challenges, we recommend that the 2021 budget provide for the development of a multi-year, strategic plan that is designed to maximise the efficiency and cost-effectiveness of whale detection efforts on Canada's east and west coast.

We also recommend that the government maintain its financial commitment to more effectively measuring vessel underwater noise at a national level and continue to promote corresponding investments with its international partners. Although we have recently seen some positive developments in this respect, including investment in the upcoming Marine Acoustic Research Station (MARS) in the St. Lawrence Estuary and investment in underwater noise listening stations in the Salish Sea on the west coast, much more needs to be done on this front in order to advance the discussion on reducing the impacts of vessel underwater noise on whales.

We appreciate this opportunity to provide input into the 2021 federal budget and trust that the above recommendations – which have been submitted on behalf of the owners and operators of the ocean ships that deliver Canada's imports and exports to and from world markets – will be given due consideration in the government's budgetary discussions.

Sincerely,

A handwritten signature in black ink, appearing to read "M.H. Broad". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Michael H. Broad
President
SHIPPING FEDERATION OF CANADA