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**CANADA'S COASTING TRADE REGIME:  
PROPOSED AMENDMENTS**

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## EXECUTIVE SUMMARY

This brief, developed by the Shipping Federation of Canada (the association representing international shipping in Canada), provides input into the government's interdepartmental discussions on potential upgrades to Canada's coasting trade regime.

The brief highlights the shortcomings of the current regime, draws attention to potential opportunities, and establishes the policy rationale for change. The Federation's proposals are based on international trends, as well as the objectives articulated in Canada's National Transportation Policy and the National Policy Framework for Strategic Gateways and Trade Corridors. Such changes would result in economic and environmental benefits, as well as greater modal efficiency (more effective use of existing capacity in all modes), and greater business opportunities for Canadian ports (due to expanded cargo opportunities).

The Federation's key recommendation is that the *Coasting Trade Act* be amended with a view to providing room for flexibility and for tailored management of exceptional cases.

Based on specific issues raised by its members, the Federation also recommends that the definition of coasting trade be amended so as to exclude:

- The repositioning of empty containers between Canadian ports
- The transshipment of import/export cargo
- The carriage of Canadian cargo between Canadian ports via the Panama canal.

As regards coasting trade cruise activities, the Federation recommends that current immigration and income tax regulations and procedures be amended to allow for simpler management of obligations related to crew immigration and income tax.

Finally, the Federation recommends that the recent duty remission on permanently imported ships be extended to similar vessels that are under a coasting trade license.

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## **Introduction:**

The Shipping Federation of Canada (the Federation), incorporated by an Act of Parliament in 1903, represents the operators, owners and agents of the ships that carry Canada's international trade (see Appendix).

Over the past years, it has become increasingly clear that there is a growing gap between the need for shipping services within the Canadian market, and the services that can actually be provided by either domestic ships or foreign ships operating under coasting trade licenses. Indeed, the Federation has received (and continues to receive) many inquiries from its members regarding projects that have not been undertaken by Canadian operators and which are therefore subject to significant regulatory constraints.

It is our understanding that Transport Canada is aware of this growing gap and is examining a number of options for addressing this situation, including the possibility of exempting specific domains of activity (such as offshore activity and underwater resource exploration) from the provisions of the *Coasting Trade Act*.

We therefore believe that this is the ideal time to present our views on the capacity of the current coasting trade regime to meet the evolving needs and realities of the Canadian economy. Towards that end, we have proposed a number of potential amendments to the regime, with a view to introducing some much-needed flexibility into the *Coasting Trade Act* or /and its related processes. This being said, it is important to note that we are not challenging either the Act's continued existence or its *raison d'être*. Rather, we are seeking to make the Act more compatible with other key policy objectives, chief among which are Canada's National Transportation Policy<sup>1</sup> and the Gateway and Trade Corridors policy<sup>2</sup>, and our proposed amendments to the current regime are presented and analysed within the context of these policies.

The coasting trade regime is broader than the *Coasting Trade Act*, as it encompasses other statutes, such as the *Immigration Act* and regulations, the *Customs Act*, the *Customs Tariff*, and the *Canada Shipping Act, 2001*, all or a portion of which are triggered when a ship has to operate under a coasting trade licence. As a result, the "collateral" effects of obtaining a coasting trade licence are often such that no foreign operator is interested in applying for one, because the attached conditions would render the project unviable. Granting exemptions from the *Coasting Trade Act* to projects in which Canadian shipowners have historically had no interest, would avoid triggering most of the "collateral" effects that currently act as disincentives for international operators to offer their services even when demand exists.

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<sup>1</sup>As spelled out in section 5 of the *Canada Transportation Act*: [http://laws.justice.gc.ca/eng/C-10.4/page-2.html#anchorbo-ga:s\\_5](http://laws.justice.gc.ca/eng/C-10.4/page-2.html#anchorbo-ga:s_5)

<sup>2</sup>National Policy Framework for Strategic Gateways and Trade Corridors (<http://www.canadagateways.gc.ca/NationalPolicyFramework/nationalpolicy.html>)

Based on specific issues raised by our members, this brief presents a series of recommendations for amending the existing coasting trade regime to allow a number of trades to develop for the benefit of the country as a whole. However, as explained in our first recommendation below, we also believe that the *Coasting Trade Act* should be amended regardless of this “trade shopping list”, with a view to providing greater flexibility and the ability to adapt to future economic realities and new trade opportunities as and when they develop.

## **1. PROVIDE ROOM FOR FLEXIBILITY WITHIN THE ACT AND FOR TAILORED MANAGEMENT OF EXCEPTIONAL CASES:**

### **Current situation:**

The *Coasting Trade Act* is very rigid and does not include any mechanism(s) that would enable it to adapt to a changing reality or to changing needs. The only element of flexibility is the coasting trade licence regime, which allows Canadian interests to have access to the foreign flag fleet to meet their transportation needs when no Canadian ship available is available. However, given that a number of statutes are triggered when a ship has to operate under a coasting trade licence (notably the *Immigration Act* and regulations, the *Customs Act*, the *Customs Tariff*, and the *Canada Shipping Act, 2001*), the “collateral” effects of obtaining a licence are often such that no foreign operator is interested in applying for one, because the attached conditions would render the project unviable. As a result, the underlying Canadian need for marine transportation service that generated the original interest in such a licence remains unmet.

### **Potential opportunity:**

Canadian interests should have easier access to the international fleet in order to meet their immediate transportation needs or to initiate new short-sea shipping services or logistics projects with a Canadian sea leg.

### **Rationale for change:**

Granting exemptions from the *Coasting Trade Act* to projects in which Canadian shipowners have historically had no interest would not only remove the delays and costs associated with coasting trade applications, but would also avoid triggering most of the “collateral” effects that currently act as disincentives for international operators to offer their services even when Canadian demand exists.

Such action would be a clear reflection of Canada’s National Transportation Policy as spelled out in section 5 of the *Canada Transportation Act*. More specifically, it would:

- support a “competitive, economic and efficient system”, “at the lowest total cost”,
- “serve the needs of its users”,
- “enable competitiveness and economic growth” via the provision of “effective transportation services”,

- do so with “*rates and conditions that do not constitute an undue obstacle to the movement of traffic within Canada or to the export of goods from Canada*”.

We submit that the current coasting trade regime, and the rigidity of the *Coasting Trade Act* in particular, stands in direct contrast to the policy objectives articulated above and constitutes an undue obstacle to the movement of traffic in the manner described above.

**Proposed change:**

The Act should be amended to provide for built-in flexibility that would enable the government to exempt (whether by order or regulation) some generic trades, movements, or projects, for a specific period of time and for specific public policy purposes<sup>3</sup>.

The Act should explicitly provide for cooperation between the various departments that have jurisdiction on this matter, so as to tailor the conditions associated with the application of other relevant statutes and to allow for *ad hoc* management.

In addition to the above recommendation on the need to build greater flexibility into the Act, we also believe that the following recommendations would promote the development of a number of specific trades.

**2. REPOSITIONING OF EMPTY CONTAINERS BETWEEN CANADIAN PORTS:**

**Current situation:**

Although the new Customs regime governing empty containers in international trade<sup>4</sup> means that more ocean containers can be used for carrying cargo within Canada by rail or truck (rather than such containers being carried empty on their way to repositioning), a number of empty containers still have to be repositioned.

The repositioning of foreign flag ships’ empty containers between two Canadian ports is prohibited under the *Coasting Trade Act*. Although Federation members could theoretically apply for a coasting trade licence, the administrative management of the related process and related costs (including payment of the duties and taxes under the *Customs tariff* and *Excise Tax Act*, as provided by subsection 4 (c) of the *Coasting Trade Act*) effectively renders this a non-option. As a result, Federation members who need to reposition their empty containers between two Canadian ports do so via rail, despite the fact that this is not the optimal use of either rail or water capacity.

<sup>3</sup> For example, some industrial projects in remote areas that require logistical support to get underway may benefit from having access to the specialized international fleet on a flexible basis. This would respond to any missing capacity in the specialized Canadian fleet and leave time for Canadian shipowners to contract and construct any such ships that may be needed to serve these projects over the long term.

<sup>4</sup> Section 53 of the *Economic Recovery Act (Stimulus)* (2009, c. 31), amending *Customs Tariff* ‘s item 9801.10.20.

## Potential opportunity:

It makes no sense to pay for the repositioning of an empty (non-income generating) container when it could be repositioned on a member's own ship at a lesser cost. As the repositioning of empties represents a cost element of serving a particular trade route, minimizing repositioning costs can only serve to make the route more attractive for importers and exporters<sup>5</sup>.

## Rationale for change:

Canada's national strategy on gateways and trade corridors is based on the view that the Canadian trade route should represent an attractive gateway to and from the North American continent for global logistics operators<sup>6</sup>. The prohibition against repositioning empty containers under Canada's *Coasting Trade Act* runs counter to that goal. The situation is quite different south of the border, where the *Jones Act* provides the ability to reposition one's empty containers aboard one's foreign flag ship between two US ports<sup>7</sup>.

As noted in a study posted on Transport Canada's website<sup>8</sup>, a number of other countries (including China, Korea and India) have also relaxed their cabotage laws to allow foreign carriers to reposition empty containers between domestic ports.

### Proposed change:

The Coasting Trade Act should be amended to exclude from the definition of coasting trade the repositioning of one's empty containers aboard one's ship between Canadian ports. This would lead to both environmental benefits (given the marine mode's smaller environmental footprint vis-à-vis other modes)<sup>9</sup> and economic benefits (by increasing the attractiveness of Canadian gateways for global operators), and represent a more effective use of different transportation modes (by freeing capacity for moving cargo via the rail mode). All of these outcomes are part the National Transportation Policy's objectives, as articulated in section 5 of the Canada Transportation Act.

<sup>5</sup> Erica Vido, Barry Prentice, Jake Kosior, *An Assessment of North American Container Cabotage Regulations: The Impact on Canadian Operations*, 2001, p. 4: "Furthermore, empty repositioning costs are frequently passed on to shippers, reducing their competitiveness in export markets".

<sup>6</sup> Lens 1 of the Strategy: <http://www.canadagateways.gc.ca/NationalPolicyFramework/nationalpolicy4-1.html>

<sup>7</sup> 46 USC 101 §55107. The U.S. Customs and Border Protection (CBP) has also long maintained that equipment of a vessel is not "merchandise" for purpose of the *Jones Act*, and can therefore be carried and used aboard non-coastwise –qualified vessels between coastwise points: U.S. CPB, *What Every Member of the Trade Community Should Know About Coastwise Trade: Merchandise*, Informed Compliance Publication, 2009, 13 pages, at pp. 3 and 6 (available at: [http://www.cbp.gov/linkhandler/cgov/trade/legal/informed\\_compliance\\_pubs/merchandise.ctt/merchandise.pdf](http://www.cbp.gov/linkhandler/cgov/trade/legal/informed_compliance_pubs/merchandise.ctt/merchandise.pdf)).

<sup>8</sup> Supply Chain Solutions International & University of Manitoba Institute, *Use of International Marine Containers in Canada*, 2005, available at: <http://www.tc.gc.ca/eng/policy/report-acg-containers-c1-1044.htm>

<sup>9</sup> Christian Couette, Jean-Philippe Brosseau, Jessica Beauguitte, *Evaluation of Environmental & Social Impacts and Benefits of Shortsea Shipping in Canada*, GENIVAR, 2008, 84 p. (<http://www.tc.gc.ca/eng/policy/acf-acfs-evaluation-of-impacts-and-benefits-2600.htm>)

Exempting the repositioning of empties from the application of the Act would also be of interest to global operators serving trade routes in both eastern and western Canada, and enhance the role of Canadian ports as cargo hubs to and from North America and the rest of the world.

### **3. TRANSHIPMENT OF IMPORT/EXPORT CARGO**

#### **Current situation:**

Cargo in international trade is carried on foreign flag ships to or from Canadian ports of call. However, Federation members cannot tranship this international cargo at Canadian ports, because ship movements between two Canadian ports of call qualify as coasting trade activities. This limits the flexibility of the trade route by limiting the ability to combine ships in a manner that represents the most efficient carriage of cargo.

#### **Potential opportunity:**

If international shipping were allowed to provide feeder services in Canada, Canadian deepsea ports could serve as true hubs for international trade to and from Canada, and other Canadian ports could develop new business lines as feeder ports. The potential combinations of vessels would increase the flexibility and efficiency of the Canadian trade route. According to our members, this would attract cargo that is currently transiting via US ports. It is their assessment that the feeder leg of the container movement can be done at marginal cost if integrated into a scheduled international voyage - an assessment that has also been made in other parts of the world<sup>10</sup>.

#### **Rationale for change:**

Canada's national strategy on gateways and trade corridors implies that the Canadian trade route should be an attractive gateway to and from the North American continent for global logistics operators<sup>11</sup>. Currently, containerized international cargo could **theoretically** be carried by domestic carriers between two Canadian ports of call and then transhipped onto a foreign flag ship (or vice versa when the international cargo is inbound). However, this simply does not happen in the real world, where rail is the mode that global logistics operators choose when cargo needs to be transhipped to or from a foreign flag vessel.

Changing the current regime to allow foreign flag vessels to tranship international cargo to and from intermediate Canadian ports of call would result in a number of significant benefits to the country as a whole. More specifically, such action would help Canadian deep-sea ports

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<sup>10</sup> Council of the European Union, Document 5195/04, p. 9:

“...allowing a company to perform feeder services for the carriage of international cargo following or preceding an international voyage by the same company may lead to substantial savings in the cost of transport.” (quoted in Research and Traffic Group, *Research Study on the Coasting Trade Act*, 2005, p. 22)

See also the assessment of the New Zealand experience (*ibid*, pp. 17 and 53).

<sup>11</sup> Lens 1 (leveraging of Canada-US trade flows:

<http://www.canadagateways.gc.ca/NationalPolicyFramework/nationalpolicy4-1.html>).

become true hubs, provide some measure of relief to any rail capacity challenges, enable Canada to profit (both economically and environmentally) from the use of short-sea shipping for international cargo, increase the flexibility and efficiency of the Canadian trade route for the benefit of Canadian importers and exporters, and channel cargo that currently transits via US ports to Canadian routings. All of these outcomes would fit squarely within the objectives of both the National Gateway Strategy and the National Transportation Policy (which provide for the best use of all modes at the lowest total cost to enable competitiveness and economic growth).

Such action would also facilitate situations in which international cargo is unloaded at an unplanned Canadian port due to a service disruption at the scheduled Canadian port of call, by enabling such cargo to be picked up by the original ocean carrier and delivered to the intended port as soon as service has resumed, thereby avoiding any clogging of roads and rail services at the unplanned port of call. This, of course, would allow the transportation system to respond more flexibly when service resumes following a disruption – something that the *Coasting Trade Act* currently prohibits. Such flexibility would be consistent with the approach developed by Transport Canada under its Marine Commerce Resumption Strategy.

**Proposed change:**

The definition of coasting trade should be amended in order to focus on domestic trade rather than on ship movements. Although we understand that the government of Canada may be reluctant to influence the relative competitive position of the Canadian fleet vis –a-vis U.S. carriers<sup>12</sup>, we nevertheless recommend that in the very least, the transshipment of **containerized** import/export cargo be exempted from the coasting trade<sup>13</sup>. This echoes a recommendation already made to Transport Canada by the Research and Traffic Group<sup>14</sup>.

Legislation that is already in effect in Australia could be cited as a precedent in this respect, insofar as that legislation exempts import/export cargo moving on through bills of lading from the country's coasting trade<sup>15</sup>. Legislation in India could be cited as a precedent as well, given that it provides for with liberalized feeder services for import/export containers<sup>16</sup>. It is worth noting that India is even considering moving further along this path and opening containerized **domestic** cargo to foreign competition<sup>17</sup>.

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<sup>12</sup> This potential threat has been assessed on a regional basis by the Research and Traffic Group in their 2005 study (David Hackston, Gordon English, Rod Taylor and John MacDonald, *Research Study on the Coasting Trade Act*, 2005, available at : <http://www.acpa-ports.net/advocacy/pdfs/cta-e.pdf>.) , pp. 58-59.

<sup>13</sup> It may also be worthwhile to consider exempting breakbulk cargo.

<sup>14</sup> At p. 63 of their report (see footnote 12, above).

<sup>15</sup> *Ministerial Guidelines for Granting Licences and permits to engage in Australia's Domestic Shipping*, (Guideline #8), available at: [http://www.infrastructure.gov.au/maritime/freight/licences/ministerial\\_guidelines.aspx#coasting](http://www.infrastructure.gov.au/maritime/freight/licences/ministerial_guidelines.aspx#coasting)

<sup>16</sup> Research and Traffic Group (see footnote 12, above) p. 24.

<sup>17</sup> Kurup, N.K., "Coastal shipping may be thrown open to foreign lines", *The Indu Business Line*, November 18, 2010 (available at: <http://www.blonnet.com/2010/11/18/stories/2010111850661100.htm>);

#### **4. CARRIAGE OF A CANADIAN CARGO BETWEEN CANADIAN COASTS VIA THE PANAMA CANAL**

##### **Current situation:**

When a cargo has to be shipped from one coast of Canada to the other, it cannot do so on a Canadian ship because there is no scheduled Canadian service between the two coasts (via the Panama Canal), nor would it be economically feasible to charter a Canadian ship for a trip via Panama. Thus, the only option is to use a combination of foreign ships on their way around North America via the Panama Canal. However, it is our understanding that such a movement would fall under the definition of coasting trade, with all the ships involved having to apply for a coasting trade licence (despite the fact that none of these ships would independently do any coasting trade, as well as the fact that the cargo involved may only represent a minimal share of their overall cargo). Should each of these foreign ships be granted a coasting trade licence, each of them would have to pay the relevant import duty, be inspected by Transport Canada, and obtain temporary Canadian work permits for their crew. Given that this makes no sense from a business perspective, cargo is simply not shipped by water from one coast of Canada to the other. And, if such cargo cannot be shipped by air, rail or truck, it simply has no way of getting from one Canadian coast to the other. This creates a somewhat absurd situation in which - due to the current coasting trade regime- some Canadian producers do not have physical access to potential Canadian consumers.

##### **Potential opportunities:**

There are a number of oversized cargoes (heavy machinery, barges, wind turbines, etc.) that Canadian manufacturers could sell to Canadian customers if they were able to ship them from coast to coast via the Panama Canal by using international shipping services. Even cargo that could fit onto rail cars to cross Canada would benefit from the new flexibility and additional competition introduced by this additional water route, which would also free some rail capacity<sup>18</sup>.

##### **Rationale for change:**

Maintenance of the *status quo* would not be compatible with Canada's National Transportation Policy, which provides that the objectives of the country's transportation system include:

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Kurup, N.K., "First priority is to implement coastal shipping policy", *The Hindu Business Line*, January 10, 2011 (available at: <http://www.thehindubusinessline.com/2011/01/10/stories/2011011050520500.htm>)

<sup>18</sup> Should the Northwest Passage ever become a workable alternative to the Panama Canal, Canada could also consider exempting coast-to-coast carriage via the Arctic route.

- The best use of all modes of transportation at the lowest total cost to serve the needs of users and enable competitiveness and economic growth;
- Competition and market forces within and among the various modes of transportation;
- Rates and conditions that do not constitute an undue obstacle to the movement of traffic within Canada.

**Proposed change:**

The definition of coasting trade should be amended to exclude coast to coast carriage by water via the Panama Canal. Such a change should create new opportunities for Canadian producers to reach their Canadian customers and for Canadian customers to gain access to new providers, and would encourage the optimal use of all available modes.

**5. COASTING TRADE CRUISE:**

**Current situation:**

When a voyage is covered by a coasting trade licence, crew members are required to obtain a temporary work permit under the Immigration regulations, and Revenue Canada's requirements on withholding income tax on crew salaries apply. Given the huge number of crew members working on board any given cruise ship and the relatively short period of time that such vessels spend in Canadian waters, the administrative and financial burden of these crew-related requirements is so disproportionate that it effectively rules out most coasting trade cruise projects between Canadian ports of call.

**Potential opportunity:**

A cruise project obtains a coasting trade licence because no similar Canadian service is available. The promoter of the project is therefore bringing new business to Canada, which benefits the Canadian ports that the ship calls, the marine agent who acts on the shipowner's behalf, and the local tourism industry.

Removing the crew-related impediments listed above would provide for more flexibility in cruise itineraries and help develop Canada as a cruise destination.

**Rationale for change:**

A research study undertaken for Transport Canada in 2005 notes the following with respect to the manner in which the U.S. treats the activity of foreign cruise vessels:

“Notwithstanding its tight control over most coasting trade activity, the U.S. exempts much of the activity of foreign cruise vessels, not even requiring that they call at a foreign port provided that they enter international waters and return passengers to the port of origin.

Presumably, this exemption recognizes the contribution that cruising makes to the U.S. economy and the inability of a domestic cruise industry to compete successfully in the international market due to the higher cost of U.S. vessel construction and staffing costs.”<sup>19</sup>

We believe that an amendment to the coasting trade regime with respect to cruise projects would put Canadian cruise destinations on a more equitable regulatory playing field vis a vis US cruise destinations and recognize the significant contribution that international cruises make to local economies.<sup>20</sup>

**Proposed change:**

When a cruise project obtains a coasting trade licence for a short duration (for example 10 days or less), the crew serving on the vessel during that voyage should be subject to a simplified immigration and income tax management procedure.

This would not entail any change to the *Coasting Trade Act* itself, but rather, to the applicable federal (and in Quebec, provincial) immigration and tax regulations and procedures. Such changes would ensure that the administrative processes under which these obligations are carried out is as user friendly as possible, with an overall policy goal of encouraging rather than discouraging international cruise promoters to include Canada in their destinations.

Indeed, this is a very moderate proposal, given the US regime is more open than what we propose here.

**6. REMISSION OF THE 25% IMPORT DUTY ON SHIPS UNDER TEMPORARY IMPORT:**

**Current situation:**

Vessels under a coasting trade licence are subject to 25% import duty assessed on a monthly basis (the 1/120 rule), as provided by the *Vessels Duties Reduction or Removal Regulations*.

The *Ferry-Boats, Tankers and Cargo Vessels Remission Order, 2010*, published in Canada Gazette, Part II, on October 13, 2010, allows for the remission of the 25% import duty, but only applies to ships that are permanently imported.

We believe that limiting the duty remission to permanently imported ships is an undue discriminatory restriction that is punitive to Canadian promoters of projects that require

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<sup>19</sup> Research and Traffic Group (see note 12 above), p. vi and p. 23. This report mentions that Australia and India have relaxed their coasting trade rules for international cruise.

<sup>20</sup> Business Research and Economic Advisors, *The Economic Contribution of the International Cruise Industry in Canada 2007, 2008*, 102 p, available at <http://nwcruiseship.org/>

temporarily imported ships to meet transportation needs for which Canadian ships are either uninterested or unsuited.

**Potential opportunity:**

Most of the arguments presented in the *Regulatory Impact Analysis Statement*<sup>21</sup> accompanying the remission order would also apply if the remission order were extended to temporarily imported vessels, chief among which is the resulting improvement in the competitiveness of those industries that rely on marine transportation services (given that they will benefit from lower rates).

**Rationale for change:**

The current situation, which favours neither competitiveness nor economic growth, and does little to promote the use of all modes at the lowest total cost to serve the needs of users, is difficult to justify under Canada’s National Transportation Policy.

**Proposed change:**

We believe that the duty remission should be extended to similar vessels that are imported temporarily. Correcting this would not entail any change in the *Coasting Trade Act* itself, but could be done through an amendment to the *Vessel Duties Reduction or Removal Regulations*.

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**Conclusion:**

Before closing, we believe it is relevant to highlight the growing international trend of questioning the adequacy and relevance of cabotage restrictions:

“While a degree of deregulation has taken place, there are still significant cabotage restrictions in OECD Members’ domestic trades. One of the principal rationales given for cabotage provisions is the preservation of the national flag fleet. Yet this objective has not been fulfilled even by the United States, where such measures are more onerous than in almost any other state.”<sup>22</sup>

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<sup>21</sup> *Canada Gazette*, Part II, October 12, 2010, SOR/2010-202: <http://www.gazette.gc.ca/rp-pr/p2/2010/2010-10-13/html/sor-dors202-eng.html>

<sup>22</sup> OECD, *Regulatory Issues in International Maritime Transport*, p. 40, para 172, available at <http://www.oecd.org/dataoecd/0/63/2065436.pdf>

“Replacing existing cabotage laws (...) was perceived by several panellists as the single measure with the highest impact on freight efficiency.”<sup>23</sup>

The authors of a recent study commented on the liberalization of the Australian and New Zealand coasting trade regimes as follows:

“Within a context where New Zealand and Australia’s insular economies use more marine transportation services than they produce, the authorities’ priority is to ensure that the institutional framework facilitates access to the best marine transportation services at the best price. The statutory framework therefore supports the shipper first, and then the carrier.”<sup>24</sup> (our translation)

Given that Canada cannot escape this debate, we trust that the recommendations contained in this brief will prove useful to the interdepartmental reflections on potential upgrades to the coasting trade regime that are currently taking place.

We thank you for your consideration of our views and would be happy to provide any additional information you may require.

Respectfully submitted,

Michael H. Broad  
President

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<sup>23</sup> International Transport Forum, *Summary conclusions of Policy Panel 2 – Supply Chains and Gateways in Volatile Markets*, May 28, 2009, p. 2 (available at <http://www.internationaltransportforum.org/2009/pdf/P2-conclusions.pdf>)

<sup>24</sup> Guy, Emmanuel, and Bruno Urli, *Analyse comparative des mesures d’intervention publique en soutien au transport maritime*, Transport Québec, 2009, 139 pages, p. 102 (available at: [http://www.mtq.gouv.qc.ca/portal/page/portal/accueil/publications/banque\\_publications](http://www.mtq.gouv.qc.ca/portal/page/portal/accueil/publications/banque_publications))

## LIST OF RECOMMENDATIONS

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**Recommendation 1:**

Amend then *Coasting Trade Act* to allow the government to exempt (whether by order or regulation) some generic trades, movements or projects for a certain period of time, and to provide for interdepartmental cooperation on such trades or projects.

**Recommendation 2:**

Amend the definition of coasting trade to exclude the repositioning of one's empty containers aboard one's ship between Canadian ports.

**Recommendation 3:**

Amend the definition of coasting trade to focus on domestic trade rather than on ship movements, at least for containerized cargo.

**Recommendation 4:**

Amend the definition of coasting trade to exclude coast to coast carriage by water via the Panama Canal.

**Recommendation 5:**

Amend immigration and tax regulations and procedures to allow for a simpler management of the obligations related to crew immigration and income tax.

**Recommendation 6:**

Amend the *Vessel Duties Reduction or Removal Regulations* to extend the recent duty remission on permanently imported ships to similar vessels that are under a coasting trade licence.

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## **POLICY & LEGISLATION:**

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### **Canada:**

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### **United States:**

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**APPENDIX:**  
**LIST OF FEDERATION'S CORE MEMBER COMPANIES**

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Acro Navigation Inc.	Goodfellow Shipping Agency Ltd.
Admiral Marine Inc.	Gresco Ltée
Aegean Maritime Inc.	H.E. Kane Agencies Ltd.
Anglo-Eastern Ship Management Ltd.	Hampton Ship Agency
American President Lines Ltd.	Hanjin Shipping
Atlantic Container Line	Hapag-Lloyd (Canada) Inc.
Atship Services Ltd.	Holmes Maritime Inc.
Bay Shipping Inc.	Inchcape Shipping Services
Canada Steamship Lines - A Division of The CSL Group Inc.	K Line Canada Ltd.
Canadian Maritime Agency Ltd.	KD Marine Inc.
Canmer Navigation Inc.	Laden Maritime Inc.
Celtic Maritime	Lakehead Shipping Co. Ltd.
China Ocean Shipping Co. (COSCO)	Lower St. Lawrence Ocean Agencies Ltd.
China Shipping (Canada) Agency Co. Ltd.	Maersk Canada Inc.
CMA-CGM (Canada)	Mathers Marine Agency Ltd.
CMC-Currie Maritime Corporation	MCA Marine & Cargo Agencies Ltd.
Colley Motorships Ltd.	McAsphalt Industries Ltd.
Cross Marine Inc.	McKeil Marine Limited
Echo Freight Inc.	McLean Kennedy Inc.
Evergreen America Corporation	Montreal Marine Services Inc.
F.K. Warren Ltd.	Montship Inc.
Fednav Ltd.	MSC (Mediterranean Shipping Co.)
Fundy Shipping Ltd.	Navitrans Shipping Agencies Inc.
Furncan Marine Ltd.	Nirit Canada
Gibson Canadian Global Agency Inc.	Norton Lilly International
	North Atlantic Refining Ltd.

NYK Line (Canada) Inc.

Ocean Remorquage Montreal Inc.

OceanCrest Transport Inc.

Oceanic Tankers Agency Ltd.

OOCL (Canada) Inc.

Poros Shipping Agencies Inc.

Project Transport & Trading Ltd.

Protos Shipping Limited

Ramsey Greig & Co. Limited

Rio Tinto

Robert Reford

Scandia Shipping (Canada) Inc.

SMK Tanker Agency Inc.

Sorel Maritime Agencies Inc.

Svitzer Canada Ltd.

Tormar Inc.

Trillium Shipbrokers Ltd.

Wagenborg Shipping North America Inc.

Wallenius Wilhelmsen Logistics

Americas LLC

Yang Ming Shipping (Canada) Ltd.

Zim Integrated Shipping Services

(Canada) Co. Ltd.

