



CANADIAN MARITIME AND SUPPLY CHAIN COALITION

REPORT PRESENTED TO THE SENATE OF CANADA

***CURRENT ISSUES & NEGATIVE IMPACTS ON CANADIAN DOMESTIC SHIPPING AND
EMPLOYMENT IN CANADIAN MARITIME SECTORS***

RESPECTFULLY SUBMITTED TO ALL MEMBERS OF THE SENATE OF CANADA
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Report presented to the Senate of Canada— *Current Issues & Negative Impacts on Canadian Domestic Shipping and Employment in Canadian Maritime Sectors*

Overview

This report outlines and summarizes the ongoing issues surrounding the current state of the domestic shipping industry in Canada from the perspective of the Canadian Maritime and Supply Chain Coalition ('CMSCC'), which consists of the leaders and membership from the following Unions from Canada and around the globe: Seafarers' International Union of Canada ('SIU'), International Longshore and Warehouse Union ('ILWU'), International Longshoreman's Association ('ILA'), International Transport Worker's Federation ('ITF'), Seafarers' International Union of North America ('SIUNA') and the AFL/CIO Maritime Trades Department. In this report, submitted on behalf of the CMSCC, we will present and discuss some of the maritime transport implications of the Comprehensive and Economic Trade Agreement ('CETA'), the Trade in Services Agreement ('TISA'), issues with the Temporary Foreign Worker Program ('TFWP') and finally the recommendations related to the *Canadian Transportation Act Review* with respect to Maritime transportation.

The recently negotiated Comprehensive Economic and Trade Agreement between Canada and the EU ('CETA') and changes to the *Coasting Trade Act* proposed through Bill C-30 have the potential to drastically alter the landscape of the Canadian domestic shipping industry. While CETA has been at the forefront of our conversations for some time now, the proposed Annexes on '*International Maritime Transport Services*' and the '*Movement of Natural Persons*' in the ongoing negotiations in the Trade in Services Agreement also has the potential to cause even greater negative impacts on the Canadian domestic maritime industry. At the root of the issues that have the potential for detriment to Canadian seafarers' jobs in Canada is the government's misuse of the Temporary Foreign Worker Program in issuing waivers to allow foreign crew to remain on board foreign vessels that have been granted *Coasting Trade* waivers. A further examination of the abuse of the TFWP in the conclusion of this report will examine how enforcing current legislation already in place would help to ensure the protection of Canadian maritime jobs, regardless of flag of registry that the vessel is operating under. Finally, linking all of these negative policy shifts together, is a recommendation in the *Canadian Transportation Act Review* that calls for the complete dismantling of the *Coasting Trade Act* over the coming years. In this report, we will outline our recommendations on each of the preceding items above and offer our summary on why alternative options should be explored in order to strengthen the Canadian maritime industry.

CETA: Comprehensive Economic and Trade Agreement

Bill C-30, the *Canada-European Union Comprehensive Economic and Trade Agreement Implementation Act*, calls for drastic changes to the *Coasting Trade Act*, one of which that would for the first time, allow foreign vessels to transport goods between two ports inside Canada without first obtaining a *Coasting Trade* licence. In specific, Bill C-30 calls to amend the *Coasting Trade Act* to

- (i) Provide that the requirement in that Act to obtain a licence is not applicable for certain activities carried out by certain non-duty paid or foreign ships that are owned by a Canadian entity, EU entity or third party entity under Canadian or European control, and
- (ii) Provide, with respect to certain applications for a licence for dredging made on behalf of certain of those ships, for exemptions from requirements that are applicable to the issuance of a licence.

In summary, part (i) of this amendment grants foreign vessels registered in EU states' first and second shipping registries permission to reposition empty containers on a non-revenue basis, and allows foreign vessels registered in the first registries of EU states to operate feeder services of general cargo, and foreign vessels registered in the first and second registries of EU states to transport containerized cargo, between the ports of Montreal and Halifax without obtaining a *Coasting Trade* licence. Part (ii) of the amendment amends the *Coasting Trade Act* to allow foreign vessels and foreign companies to bid and compete with domestic operators on domestic dredging contracts that are above a certain monetary threshold.

Both of these amendments to the *Coasting Trade Act* will undeniably cause lost opportunities for Canadian domestic maritime stakeholders who will forfeit work to foreign competitors as they will be unable to compete with the low-cost foreign enterprises that are not subject to the same safety, environmental and labour standards that Canadian enterprises are. This will also lead to the loss of Canadian seafaring jobs through the implementation of CETA, unless changes are made to the Temporary Foreign Worker Program as more foreign ships are brought in and granted waivers to retain their foreign crews. In this report, we will later argue that the TFWP has been abused in that Canada Border Services Agency ('CBSA') agents have routinely granted waivers to allow foreign crew to work in Canada instead of performing the mandated Labour Market Impact Assessments ('LMIAs') that would identify a large surplus of qualified Canadian seafarers who are actively searching for work.

Some of the greatest opposition to the CETA agreement has come from labour and maritime unions on Canada's West Coast, who are concerned that opening dredging contracts to foreign operators will greatly impact their ability to remain competitive in that industry. As Bill C-30 will amend the *Coasting Trade Act* to allow foreign operators from EU member states to bid on dredging contracts as well as operate feeder services between Canadian ports, this will open our waterways to cheap, low-wage, Flag of Convenience ('FOC') shipping companies, thousands of which are based in countries like Cyprus, Malta, Greece, Germany, Netherlands and Norway

where shipping operators flag their vessels in FOC states in order to circumvent labour, social and other regulatory measures including paying taxes (see Appendix A '*Flag of Convenience Statistics and Examples*'). Canadian companies would simply be unable to compete with these operations that are not subject to the same high labour and social standards as Canadian maritime operators.

The Coalition is opposed to any legislative changes proposed in Bill C-30 that would further deregulate the *Coasting Trade Act* and has been voicing opposition to this from the onset of the CETA negotiations under the previous Conservative administration. In the *Hansard* from the House Standing Committee on International Trade from December 14th, 2016, Steve Verheul, the Chief Trade Negotiator for the Canada-European Union from the Department of Foreign Affairs, Trade and Development, falsely stated that the Seafarers' Union was engaged during the consultation process for CETA and did not indicate any opposition to the propositions included in the trade deal. The SIU was not actually consulted at any point by anyone from the Trade file on CETA and the Coalition's position remains in favour of the waiver system already in place under the *Coasting Trade Act* to permit foreign vessels to engage in Cabotage operations only when no Canadian-flagged ship is available. There is no logical reason to change legislation and we have consistently held this position throughout the course of the negotiation process. Changing legislation in the *Coasting Trade Act* for CETA sets a dangerous precedent as it will be difficult to roll-back these changes. The vessel waiver system currently in place would allow Canadian operators using Canadian-flagged vessels and Canadian crews to continue to have the first right of refusal for any available work, ensuring the Canadian maritime fleet remains competitive while also still permitting foreign-flagged vessels from the EU access to the Canadian domestic market if no Canadian ship is available to perform the required work.

TiSA: Trade in Services Agreement

In a recent information session with Global Affairs Canada and Transport Canada that took place October 13th, 2016 to specifically discuss the *International Maritime Transportation Services Annex* of the Trade in Services Agreement, the CMSCC was made aware that the Government of Canada is actively seeking to offer market access commitments to TISA parties with the objective of liberalizing the supply of cabotage and *Coasting Trade* services in Canada. The Government of Canada has attempted to justify this approach on the basis that it shall only make offers of market access commitments on a "reciprocal" basis, that is, to those TISA parties who offer equivalent market access commitments to Canadian enterprises with respect to the supply of Cabotage services within the territories of their own countries. Although we have obviously not been able to read the official document of the TISA agreement, as the information session provided was conducted assuming all parties involved had been privy to the information available online through WikiLeaks, it does seem both likely and possible that Canada might grant market access to particular TISA countries to an extent that is greater than the market access that was granted to the European Union countries under CETA.

As previously issued letters to Global Affairs and Transport Canada from the Coalition members have stated, the concept of 'reciprocity' in the supply of Cabotage and Coasting Trade services

from the perspective of Canadian shipowners operating Canadian-flagged vessels, is fiction. There are no competitive opportunities available to Canadian vessels in those markets. Canadian shipowners cannot compete in foreign markets as Canadian companies must comply with stringent safety, environmental and labour standards that foreign competitors are unfortunately not subject to. The Canadian fleet of vessels was purpose-built for operation in inland and coastal waterways, and Canadian vessels are not in a position to compete with low-cost foreign vessels in supplying Cabotage and Coasting Trade services, should they be permitted to do so. If the Government of Canada were to open domestic market access to foreign-flagged vessels, those domestic markets will become *de facto* closed to Canadian-flagged vessels. This would unacceptably harm Canadian interests – including Canadian enterprises, Canadian investments and Canadian Jobs – all for the purpose of facilitating the government of Canada’s international trade ambitions.

Opening access to Canada’s domestic maritime market should not be a bargaining chip on the table to facilitate the interests of foreign enterprises lobbying officials for greater market access during these negotiations. The Canadian seafarers working in the domestic industry are employed in good-paying jobs that contribute millions back into the economy through tax dollars. To eliminate these jobs would be catastrophic for our industry and our economy – it is imperative to understand that thousands of jobs are riding on these negotiations. We are aware that under Article 16 of the *International Maritime Transport Services Annex* of TISA, Canada is one of the parties to propose a reservation “to ensure a party is not required to take commitments in respect to maritime transport services to the extent that such services fall within the scope of Cabotage”¹ However, this needs to be a put forth in reservations to all TISA parties, and not negotiated based on ‘reciprocity’ from state to state, as previously discussed.

There has also been a major push on Canada’s part to allow for greater labour mobility between the TISA parties as we’ve discovered in the leaked Annex on the *Movement of Natural Persons* from November 2016². Canada has been actively seeking to further facilitate the use of foreign workers in positions within Canada by pursuing proposals to allow for specifically categorized temporary foreign workers to enter the country for specific timeframes without having to perform “economic needs tests”, or Labour Market Impact Assessments as they are referred to in our domestic policy. The problem with this is that in the maritime industry, the Canada Border Services Agency has, for the last three years, been routinely handing out temporary work visas to foreign-vessel crews to be able to enter and work in Canada on board foreign-flagged ships granted *Coasting Trade* Waivers. Legal action has been taken by the SIU against the Federal government over these cases, as the CBSA granted these waivers through by-passing regulations to perform LMIA’s which would have revealed that there is a large surplus of qualified Canadian seafarers who should have been given priority for employment on vessels working within the boundaries of Canada as defined by the *Coasting Trade Act*. If the

¹ http://www.bilaterals.org/IMG/pdf/annex_on_international_maritime_transport_services.pdf Article 16, *Domestic Maritime Transport*.

² http://www.bilaterals.org/IMG/pdf/annex_on_movement_of_natural_persons.pdf. Article X, Canada proposals: Specific Commitments (a),(b),(c).

government further deregulates the labour mobility chapter of the TISA agreement, we fear thousands of good-paying Canadian seafaring jobs could be lost to low-wage and unsafe foreign crews.

Thousands of the vessels registered in Flag of Convenience ('FOC') shipping registries, including the Panamanian registry which is the largest FOC registry in the world, could be granted access to the Canadian domestic market if TISA were used to deregulate the *Coasting Trade* in Canada. All FOC shipping operators employ crews that are paid well below standard Canadian industry wage, and these crews are subject to inhumane working and living conditions on board these vessels, it would be both unacceptable and irresponsible to open Canada's shipping markets and allow these operators to continue to exploit their workers.

Temporary Foreign Worker Program

The Coalition believes that a misconception of the maritime industry may be the root cause of why the CBSA and other Government of Canada agencies have proceeded to grant temporary foreign work visas to allow foreign crew to stay on board foreign vessels that have been granted a *Coasting Trade Waiver*. This misunderstanding in the maritime industry is that the foreign crew must remain onboard the foreign ship while it is operating in Canada. This is simply not the case. While no Canadian vessel may be able to perform the required work to block a foreign vessel from obtaining a *Coasting Trade* licence, the same cannot be said for the crew working on board the vessel.

It is commonplace and routine for crews to be replaced on a temporary basis onboard vessels, sometimes for the duration of only days or weeks. The CMSCC contends that we are able to supply unlicensed crew to work on board the vast majority of the foreign vessels being granted waivers. As an example, although the CMSCC is vehemently against the practice, Canadian shipping companies have, on rare occasions, replaced their Canadian crews with foreign crews when the ship is sailing outside Canadian waters. The same practice should be used to replace foreign crews with Canadian seafarers when foreign ships are to be sailing *Coasting Trade* inside Canadian waters. Examined more closely, this would be the same case if a foreign company established itself in Canada, even temporarily, as they would be required to employ Canadians and would not be allowed to circumvent Canadian law to employ foreign nationals if there are Canadians available and qualified to do the work and so, there are no justifiable reasons against enforcing this law in Maritime as well.

The Canadian seafaring industry has experienced a vast increase in the number of unemployed and underemployed seafarers over the last three years, with unemployment rates hovering near twenty-year highs. The Coalition currently has fully-trained and qualified seafarers who are available to go to work. This issue has been overlooked by the Canada Border Services Agency, responsible for issuing these temporary work visas, as the process for conducting an LMIA has been routinely side-stepped for the sake of expediting and facilitating the entry of foreign vessels into the Canadian market to avoid economic delays. An LMIA would reveal that the Coalition has unlicensed crew, some of the most highly-trained seafarers in the world, who

are currently unemployed and losing out on work. Instead of offering these jobs to Canadian seafarers, the government has been issuing temporary work visas to foreign workers who are paid a small fraction of the standard Canadian industry wage, exposing our waterways to crews that are generally unfamiliar with navigating in inland waterways, and who do not have the same vested interest in protecting our coastal waterways.

The purpose of employing these international crews is for foreign operators to ultimately be able to pay them well below the Canadian standard and avoid having to operate under the *Canada Labour Code* which would ensure a safe and secure workplace on board these ships. The simple fact is that when it comes to the TFWP, we are not arguing for new legislation or to change existing legislation but simply to enforce the legislation that is already in place. Oil tankers and vessels brought in for work in the offshore in Canada are often reporting that they are conducting “specialized work” under their *Coasting Trade* waiver applications, but this is work that Canadian seafarers are qualified and trained to do and for these foreign operators to claim otherwise, is simply false.

Rectifying this issue would not only bolster the safety of our environment and coastal communities through the use of experienced Canadian seafarers, familiar with the waterways and procedures for navigating them. It would also dramatically increase the number of Canadian seafaring jobs in the industry, and help to mitigate some of the losses that would result should there ever be an opening of market accesses through the aforementioned trade agreements in this report.

Canada Transportation Act Review (Emerson Report):

The *Canada Transportation Act Review*, or ‘*Emerson Report*’, was concluded in December 2015 and submitted to the Ministry of Transport by Chair of the *Review*, the Honourable David Emerson. The government is still reviewing the report at this point, however the CMSCC is concerned with recommendations in the report calling to phase out *Coasting Trade* restrictions in Canada over the next seven years. Chapter 10 of the Report, ‘*Marine Transport*’, outlines the last 30 years of marine transport in Canada and where the industry is heading today. In the subsection on Short Sea Shipping, the *Review* outlines several items of interest to this Coalition. One, being the correct assumption that seafarers are an aging demographic and that more needs to be done to recruit young people to this industry and the second, being that Marine transport is already the best way to move bulk and large break bulk freight. Despite the *Review* outlining that numerous maritime stakeholders remain in favour of the Cabotage restrictions in the *Coasting Trade Act*, the *Review* inexplicably and without evidence, recommends removing legislative restrictions on maritime cabotage, admits foreign crews do not have extensive experience in Canada, admits strict entry requirements are a hindrance for economic reasons, and encourages establishing a Canadian ‘second registry’ to compete with Flag of Convenience shipping.

In the conclusion of the Report, the author recommends the creation of a Second Canadian International Ship registry to allow vessels to move freely in and out of Canadian domestic

trades to open new commercial opportunities for shipowners and “by offering experienced foreign nationals preferred access to the Canadian immigration process, which would enlarge the pool of Canadian seafarers.”³ The Report also recommends removing the policy of prohibiting access to Canadian domestic operations by foreign owned and registered vessels over a transitional period of no more than seven years. Despite the fact that there is very little evidence presented in the *Review* to argue in favour of the recommendations put forth, the *Emerson Report* misleads the intended reader to believe the only way forward is through liberalizing the *Coasting Trade Act* and doing away with any restrictions in Maritime in favour of facilitating international operations. This simply is not the case and the CMSCC are not the only maritime stakeholders who believe so, as the *Review* clearly states, “... many submissions and consultations spoke in favour of the status quo, particularly in respect to short sea shipping and pilotage.”⁴ The simple fact is that many of the recommendations in the *Emerson Report* would be detrimental to the overall Canadian maritime industry.

The recommendation to create a second shipping registry in Canada that would allow vessels to move freely in and out of the domestic and foreign markets is not a logical recommendation. The vast majority of the Canadian-flagged vessels were purpose-built for use on the Great Lakes and in Canada’s Coastal waters and are not suitable to be used in the cross-ocean transportation of goods. The creation of a second registry is done in order to facilitate the depression of wages and working conditions and create the illusion of ‘competitiveness’ in an international marketplace. The *Review* suggests that international registries help to offset operating and crewing costs of national fleets and that the rules of the International Maritime Organization (‘IMO’) help ensure compliance with safety, security and environmental rules. This is false, as the IMO regulations are meant to serve as a minimum safety net to ensure some semblance of international standards are being met by signatories to the convention. These are not the high standards that Canadian-flagged vessels currently operate under, nor do they ensure crews are paid at the standard industry wage (See Appendices B, C, D, E for examples of wages paid on EU-flagged vessels operating in Canada). The International Transport Workers’ Federation has inspectors all across the globe who consistently find foreign-flagged vessels to be in violation of the terms of the IMO/ILO standards, not to mention that the minimum standard is well beneath the standards of labour found in the *Canada Labour Code*.

Simply put, the recommendation to circumvent labour and social standards by creating a second shipping registry in Canada to operate at the IMO minimum standard would place our industry on par with that of Panama, Liberia and Cyprus. These represent Flag of Convenience states where seafarers are paid as little as two-dollars per hour and work in unacceptable conditions.

³ http://www.tc.gc.ca/eng/ctareview2014/CTAR_Vol1_EN.pdf *Canadian Transportation Act Review: Emerson Report*. P.229. ‘Short Sea Shipping’.

⁴ http://www.tc.gc.ca/eng/ctareview2014/CTAR_Vol1_EN.pdf *Canadian Transportation Act Review: Emerson Report*, P.225 ‘Plotting the Course: what we need to do to get there’

The Report puts forth the false notion that the opening of international waterways has no negative consequences stating, "...by eliminating fees and opening the waterways to international competition, competing jurisdictions, such as the European Union, have already opened up the short sea shipping markets without any obvious downside."⁵ We are already aware that this is not true, as the ITF has been actively engaged in assisting hundreds of crew members stranded on vessels working in the North Sea, who are employed on foreign vessels, and vessels registered in EU shipping registries, who have not been paid and have been left abandoned to fend for themselves^{6,7}.

Second, the recommendation to completely phase out Cabotage restrictions in Canada over the next seven years is effectively a call to damage or destroy upwards of two hundred and fifty thousand Canadian jobs that are directly and indirectly linked to *Coasting Trade*. The Report makes claims that there are a limited number of seafarers available for work in Canada and yet the Coalition members have been experiencing unprecedentedly high numbers of unemployed and underemployed seafarers within their memberships over the last three years. In submissions to the CTA review, the St. Lawrence Shipoperators and the Canadian Shipowners Association both supported the retention of Cabotage restrictions in the *Coasting Trade Act*:

Canada's Coasting Trade Act is essential to the sustainment and growth of Canada's Short Sea Shipping industry with its links to continental and international bulk commodity supply chains. Specifically, CSA is seeking continuation of the Coasting Trade Act and the cabotage regime. The proposed changes to the Coasting Trade Act through the Comprehensive and Economic Trade Agreement could significantly undermine the ability of the domestic fleet to be a contributor to increased trade and to meet existing domestic requirements. Canadian short sea shipping is a reliable, safe and environmentally responsible mode of transportation that forms a critical part of the North American supply chain⁸

It is difficult to ascertain where the support for liberalizing the access to maritime markets in Canada is coming from, when the majority of the domestic stakeholders quoted in the *Review* are starkly opposed to the recommendations in the *Emerson Report*. It has recently come to the attention of this Coalition that the submissions from the Shipping Federation of Canada, which represents Canadian shipping companies operating in international shipping markets and has very few Canadian-flagged vessels amongst the companies they represent, may be the source of this information. While their interests are in global market expansion and liberalizing the Canadian market to foreign competition, it is important to understand that this is not the voice representing all Canadian workers or the Canadian domestic maritime stakeholders and we are

⁵ http://www.tc.gc.ca/eng/ctareview2014/CTAR_Vol1_EN.pdf *Canadian Transportation Act Review: Emerson Report. P.219. 'Short Sea Shipping'*.

⁶ <https://www.theguardian.com/world/2017/jan/22/indian-sailors-stranded-norfolk-seven-months>

⁷ <http://www.itfglobal.org/en/news-events/news/2016/september/itf-winning-back-pay-for-abandoned-crew/>

⁸ Canadian Shipowners Association, *Submission to the CTA Review*. December 31, 2015.

of opposing views on the subject. We were also troubled to find out that the Shipping Federation was asked to provide training sessions for government officials on the marine transportation industry and its operations in Canada, which they listed as following "... on the heels of two very successful industry sessions that the Federation provided to Transport Canada in the Winter of 2015 and to the Canada Border Services Agency last Spring"⁹. We are concerned that the information provided in these sessions may have given the Federation preferential access to the government and the subjective information provided may be leading the government into misguided policy that does not properly reflect the many voices that represent Canadian maritime as a collective group. As the Shipping Federation of Canada is "the voice of ocean shipping since 1903"¹⁰, the Coalition then represents the contrasting voice of domestic shipping and so argues that our voices should be given equal access.

The *Emerson report's* recommendations for the removal of cabotage over the next seven years is ill-advised and lacking substantial evidence to suggest this is the best path forward in Canadian maritime. The regulations in place in the *Coasting Trade Act*, ensure that a strong Canadian merchant marine is available to transport goods between Canadian ports. Eliminating Cabotage laws would effectively gut the industry and put Canadian shipowners at a competitive disadvantage or eventually out of business entirely. More damaging to our entire domestic economy would then be the fact that without a Canadian merchant marine, our country would be entirely dependent on foreign shipping operators to move Canadian goods to market and once the Canadian fleet was eliminated, their low costs for transporting goods could rise with demand and we would be subject to market fluctuations with no option but to allow foreign shipping operators to determine costs and disrupt shipping operations at their whim. This is simply not an acceptable alternative to the *Coasting Trade Act* which ensures timely and safe operations controlled by our own domestic regulations.

Conclusion

The CMSCC strongly supports any initiatives to strengthen the Canadian maritime industry and we have always offered our strong support to the Canadian shipowners, operating Canadian-flagged vessels with Canadian crews, who have invested so much into maintaining and strengthening the Canadian vessel fleet and maritime infrastructure. We believe the government of Canada should be looking to assist Canadian enterprises in maritime through incentives that would allow them to remain competitive in an ever-changing global industry, whether through tax incentives to shipping companies or seafarers themselves. The strongest way by which to show support in the Canadian seafaring industry would be to put an end to the use of foreign seafarers on board foreign vessels operating Cabotage in Canada. This would put pressure on foreign operators to increase wages and labour conditions if they insisted on retaining their foreign crews, it would also enforce international standards of employment on board these vessels and negate the very reasons that these shipping companies would want to retain their foreign crews, which is to employ cheap, unregulated labour. The shipping industry

⁹ <http://www.shipfed.ca/data/2016AugustIssuesUpdate.pdf>

¹⁰ <http://www.shipfed.ca/home>

is highly dependent on trade but we expect fair trade deals that benefit Canadian workers as well, not free trade deals that seek to undermine labour and the environment. Those who support trade deals such as CETA through the argument that the European Union and Canada can enjoy open market accesses because we share similar consistencies in labour and social standards need to comprehend that this is not reflective of the situation in the maritime industry as concretely demonstrated in the Appendices to this report.

The Coalition also contends that under the *Coasting Trade Act*, foreign vessels can already apply for a *Coasting Trade* waiver, if there are no Canadian vessels available to undertake the required work. We cannot comprehend why this government is so adamant about opening Cabotage up to foreign operators when the system already in place can be used should there be a necessary and valid reason to import a foreign ship for use in providing cabotage services. Flawed as the CMSCC believes the system has been under the misuse of the TFWP, the system has nonetheless been effective for providing the service of a foreign vessel when no Canadian-flagged vessel has been available to perform the work reserved under *Coasting Trade*. Why further deregulate a system when there has been no evidence presented that opening the *Coasting Trade* will in fact benefit Canada and if we know for certain it would cause damage to Canadian jobs in the industry – the reasons in favour of doing away with our current Cabotage laws are simply not there.

In addition, by continuing the current practice of avoiding consultation and speaking with different interest groups, our labour groups and civil society members are often left to pick apart trade initiatives and government policy only after they have already been drafted into legislation and negotiated to a close. The inaccessible, invitation-only committee hearings on Bill C-30 and the CETA agreement that this Liberal government has proceeded with are an example of the ineffective consultations that were present under the previous government and we implore this government to do better going forward. While it is generally difficult to appease all parties and all groups involved, it is nonetheless important to hear from opposing industry members as we strongly believe that the overall Maritime industry is underrepresented in many government decisions.

The Canadian maritime industry supports more than two hundred and fifty thousand direct and indirect jobs, contributes billions of dollars into the Canadian economy and represents close to ninety-percent of all goods shipped to, within and from Canada. We believe that being able to be present and included during the negotiation and consultation processes would lend itself greatly to a stronger and more constructive relationship between labour, civil society groups and government. Our preference has always been to work alongside our partners in government, not in opposition to them, and so we hope that our proposals in this report will be taken into consideration alongside the continued trade ambitions of the current Liberal government, and any government policy work being conducted with regards to the Canadian maritime industry, as we move forward this year. We remain committed to continued engagement with government and trade officials to offer our recommendations moving forward.

Appendix A

Flag of Convenience Statistics & Examples

A flag of Convenience Ship is one that flies a flag of a country other than the country of ownership. For workers onboard, this can mean very low wages, poor on-board conditions, inadequate food and clean drinking water, long periods of work without proper rest which leads to stress and fatigue. By 'flagging out', ship owners can take advantage of minimal regulations, cheap registration fees, low or no taxes and the freedom to employ cheap labour from the global labour market.

FOC registries make it more difficult for unions, industry stakeholders and the public to hold ship owners to account. In many cases, the registries themselves are not even run from the country of the flag.

The International Transport Workers' Federation lists the following Countries as Flags of Convenience:

Antigua & Barbuda, Bahamas, Barbados, Belize, Bermuda (UK), Bolivia, Cambodia, Cayman Islands, Comoros, Cyprus, Equatorial Guinea, Faroe Islands (FAS), French International Ship Register (FIS), German International Ship Register (GIS), Georgia, Gibraltar (UK), Honduras, Jamaica, Lebanon, Liberia, Malta, Madeira, Marshall Islands (USA), Mauritius, Moldova, Mongolia, Myanmar, Netherlands Antilles, North Korea, Panama, Sao Tome and Principe, St Vincent, Sri Lanka, Tonga, and Vanuatu.

The misconception being made with CETA is the false sense that since many European Union countries share many similar labour and social standards as Canada, there should be no concern for these vessels coming into Canada through the proposed maritime trade chapter. It is important to recognize that although the shipping companies may be based in an EU state, a significant number of vessels these companies own are beneficially-owned and flagged under other countries, other EU states, such as Germany, for example, have what is called a 2nd Vessel Registry, or an International Vessel Registry, that is meant to permit vessels to trade internationally and avoids domestic regulations on crewing and labour standards.

In CETA, for example, under Reservation II-C-14 and the 'Feeder Services' which will be opened under Bill C-30's amendments to the *Coasting Trade Act*, the 'Cabotage' reservation does not apply to vessels for:

- (ii) *pre or onward transport of international containerised cargo between the Port of Halifax and the Port of Montreal, and between the Port of Montreal and the Port of Halifax, as a single voyage concurrent to an international leg, using vessels registered on the first (national) or second (international) registries referred to in paragraphs 1, 2, and 4 of the Annex to Commission communication C(2004) 43 – Community guidelines on State Aid to maritime transport; or*

Appendix A

Flag of Convenience Statistics & Examples

Allowing vessels from the first **and** second registries of EU member states will permit FOC shipping companies to operate in Canada. Whether the 2nd Register of Germany or 1st register of Malta, Cyprus, Greece, these are all considered FOC shipping under international standards.

CASE STUDY: GERMANY

There are 368 vessels in the German 2nd vessel registry. Owned in Germany, Flagged elsewhere in EU (Current to January 2017 from German Department of Transport Website) Gibraltar 76, Isle of Man 20, Luxembourg 30, Malta 163, Netherlands 12, Portugal 260, UK 23, Cyprus 96, Latvia 4.^{1,2}

A total of 1,052 “German” owned vessels that would be permitted to enter Canadian waters under the proposed changes to the *Coasting Trade Act* in Bill C-30 (vessels coming from EU 1st and 2nd registers, beneficially owned in by a member of an EU state).

The crew employed on the vessels coming from Germany are not paid at a German national wage, nor are they guaranteed the same labour standards found in the German Employment and Labour Law. Proof of this is available directly from the German Federal Ministry of Transport and Digital Infrastructure website³:

Legal consequences of registration in the GIS

“When a ship is registered in the GIS the employer can pay foreign seafarers on board German-flagged ships according to their national contract conditions. E. g., a Philippine seafarer employed on a GIS-registered ship does not get German wages, but is paid according to the considerably lower Philippine wage conditions”

The only nationality requirement for ships registered in the GIS (2nd register) less than 8,000 gross tonnage is that the Master of the ship must be an EU/EEA Citizen, and in the case of a ship over 8000 gross tonnage, both the Master and at least one officer of the deck or engine room department must be a citizen of the Union⁴:

1

http://www.bsh.de/de/Schifffahrt/Berufsschifffahrt/Deutsche_Handelsflotte/Statistik_Fort.pdf

2



http://www.bsh.de/de/Schifffahrt/Berufsschifffahrt/Deutsche_Handelsflotte/Statistik_BBC.pdf


³ <http://www.deutsche-flagge.de/en/german-flag/registration/gis>

⁴ http://www.gesetze-im-internet.de/englisch_schbesv/englisch_schbesv.html

Appendix A

Flag of Convenience Statistics & Examples

Provisions for nationalities in Safe Manning German Flag		
Ship size in GT	Master 	Ship officer (Nautical/Technical Dept.) 
< 8.000	1	-
> 8.000	1	1

 = Citizen of an EU member state or European Economic Area (EEA = Norway, Iceland, Liechtenstein)

5

So we can therefore conclude that the majority of the ship's crew will be made up of foreign nationals, not necessarily from the EU, hired through third-party placement agencies, who are only going to be paid the standard industry wage from the country they are coming from not the German National Wage. The notion that these vessels will employ Nationals who enjoy a similar labour and social standard as found in Canada under the Canada Employment Standards or Canadian Labour Code is simply false. The government would be permitting the exploitation of low-wage, unsecure employment within the boundaries of our Country – a shameful maritime industry practice that should have no place in Canada.

While the CETA agreement would limit the influx of foreign vessels to those that are beneficially owned or tied to the European Union member states, the TISA agreement, if permitted to continue in its current form, would allow FOC countries such as Panama and Mauritius to potentially gain access to Canadian *Coasting Trade*, as well. According to Data from the United Nations, in 2016 there were 6,591 vessels registered in Panama which accounts for approximately 14% of the Global fleet (by number of vessels)⁶ If granted access to the Cabotage regime in Canadian domestic maritime transport, Canadian shipping companies would be unable to remain competitive.

⁵ <http://www.deutsche-flagge.de/en/crew/ships-manning/nationalities>

⁶ <http://unctadstat.unctad.org/wds/TableViewer/dimView.aspx>

APPENDIX B

EXAMPLE OF ILO MINIMUM WAGE ON VESSEL WITH AN ITF AGREEMENT IN PLACE

ITF ILO Minimum Scale Using Joint ITF/ISF Interpretation of the ILO Recommended Minimum Wage for an AB - extrapolated on basis of ITF Standard Agreement Differentials Rates applicable from 1st January 2016								
Rank	Basic pay US\$	Daily wage US\$	Leave pay** US\$	Leave pay for public hols*** US\$	Total US\$	Hourly O/T Rate US\$	hrs OT 104* US\$	Total US\$ inc. US\$
Master	2069	69.0	172.38	99.45	2340	12.43	1293	3,633
Chief Eng.	1880	62.7	156.67	90.39	2127	11.30	1175	3,302
Chief Off.	1335	44.5	111.29	64.20	1511	8.03	835	2,346
1st Eng.	1335	44.5	111.29	64.20	1511	8.03	835	2,346
2nd Eng.	1070	35.7	89.13	51.42	1210	6.43	668	1,879
2nd Off.	1070	35.7	89.13	51.42	1210	6.43	668	1,879
3rd Eng.	1031	34.4	85.91	49.56	1166	6.20	644	1,811
3rd Off.	1031	34.4	85.91	49.56	1166	6.20	644	1,811
RO	1070	35.7	89.13	51.42	1210	6.43	668	1,879
Elec Eng.	1070	35.7	89.13	51.42	1210	6.43	668	1,879
Ch. St/Cook	1070	35.7	89.13	51.42	1210	6.43	668	1,879
Bosun	686	22.9	57.15	32.97	776	4.12	429	1,205
Pumpman#	686	22.9	57.15	32.97	776	4.12	429	1,205
AB	614	20.5	51.17	29.52	695	3.69	384	1,078
AB	614	20.5	51.17	29.52	695	3.69	384	1,078
AB	614	20.5	51.17	29.52	695	3.69	384	1,078
ERR	614	20.5	51.17	29.52	695	3.69	384	1,078
ERR	614	20.5	51.17	29.52	695	3.69	384	1,078
ERR	614	20.5	51.17	29.52	695	3.69	384	1,078
ERR(Jnr)	457	15.2	38.07	21.96	517	2.75	286	802
OS	457	15.2	38.07	21.96	517	2.75	286	802
Stew	523	17.4	43.59	25.15	592	3.14	327	919
Stew	523	17.4	43.59	25.15	592	3.14	327	919

APPENDIX B

EXAMPLE OF ILO MINIMUM WAGE ON VESSEL WITH AN ITF AGREEMENT IN PLACE

Total US\$	23,810	36,963
<p>* Overtime is calculated at 1.25 the normal hourly rate based on a 48 hour working week and a maximum working week of 72 hours (ref: MLC A2.3.5(a) and B2.2.2) hence 104 hrs OT.</p> <p>** Leave is 2.5 days per month at a rate of 1/30 the monthly basic wage (MLC A2.4)</p> <p>*** Work performed on public holidays should be compensated at the overtime rate, although it should generally not be counted within the maximum hours of overtime</p> <p># Manning is for illustrative purposes only i.e. 23 (12 ratings) i.e. ITF Manning Scale No. 5 for vessels over 20,000 GT. The pumpman only applies to tankers.</p>		

APPENDIX C

C/S WAVE VENTURE EMPLOYMENT CONTRACT (ABLE SEAMAN)

This is an employment Contract obtained by an ITF Inspector on the West Coast of Canada from the UK-flagged vessel *C/S Wave Venture*, a cable-laying vessel that operated on the West Coast out of Ogden Point in Victoria, British Columbia. Hired through a third-party agency based in Manila, Philippines this document shows an Able Seaman position earning a basic wage of \$3.24/hour.

CONTRACT OF EMPLOYMENT

KNOWN ALL MEN BY THESE PRESENTS:

This Contract, entered into voluntarily by and between:

Name of Seafarer : _____
 Date of Birth : _____ Place of Birth : _____
 Address : _____
 SIRB No. : _____ SRC No. : _____
 License No. : _____

hereinafter referred to as the Employee, and

Name of Agent : **C.F. SHARP CREW MANAGEMENT, INC.**
 Address of Agent : **CASA ROCHA 290-292 GENERAL LUNA ST. INTRAMUROS, MANILA.**
 For and on behalf of **GLOBAL MARINE PTE. LTD., FOR AND ON BEHALF OF GLOBAL MARINE SYSTEMS LTD. (DOC HOLDER)**
171 TRAS STREET, #04171A UNION BUILDING, SINGAPORE (079025)
 (Principal/Country)

For the Vessel : **C/S WAVE VENTURE**

IMO No. : **8027810** Gross Registered Tonnage (GRT) : **10076** Flag : **BRITISH**
 Official No. : **902722** Year Built : **1982** Vessel Type : **CABLE LAYER**
 CBA Affiliation : **AMOSUP/NAUTILUS CBA** Classification Society : **ABS**
 hereinafter referred to as the Employer.

WITNESSETH

1. That the employee shall be employed onboard under the following terms and conditions

Position	ABLE SEAMAN	Contract Length	9.00 - - 1 month(s)
Basic Wage (191 hours per month)	\$ 619.00	Variable OT Rate USD	\$ 4.05 per hour
Leave Pay (11 - days rating/12 - days officer)	\$ 227.00	USD Deductions every month	\$ 700.00
FOT GOT (85 hours per month)	\$ 344.00	a) Monthly Allotment	
Extra OT (89 hours per month) - Officer	\$ 0.00	USD Deductions - First Payroll	
Market Allowance (Officer)	\$ 0.00	Cash Advance	\$ 0.00
SMB(Rating)	\$ 67.00	1st Month Allotment	\$ 583.33
Retirement Allowance/Pension Fund	\$ 62.00		
Seniority	\$ 120.00		
Total Monthly Pay	\$ 1,439.00		

Point of Hire: **MANILA**

- The shipowner shall provide decent working and living conditions on board the ship. Likewise, the health and social security protection benefits shall also be provided to the seafarer.
- Any alterations or changes, in any part of this Contract shall be evaluated, verified, processed, and approved by the Philippine Overseas Employment Administration (POEA). Upon approval, the same shall be deemed an integral part of the Standard Terms and Conditions Governing the Employment of Filipino Seafarers On Board Ocean-Going Vessels.
- Violations of the terms and conditions of this Contract with its approved addendum shall be ground for disciplinary action against the erring party.

IN WITNESS WHEREOF, the parties have hereto set their hands this **24** of **May** 2016 at **Manila, Philippines.**

 Seafarer


JOB V. OLIVA
 For the Employer

Verified and approved by the POEA : _____

MAY 24 2016

APPENDIX D

C/S WAVE VENTURE EMPLOYMENT CONTRACT (ORDINARY SEAMAN)

This is an employment Contract obtained by an ITF Inspector on the West Coast of Canada from the UK-flagged vessel *C/S Wave Venture*, a cable-laying vessel that operated on the West Coast out of Ogden Point in Victoria, British Columbia. Hired through a third-party agency based in Manila, Philippines this document shows an Ordinary Seaman position earning a basic wage of \$2.52/hour.

CONTRACT OF EMPLOYMENT

KNOWN ALL MEN BY THESE PRESENTS:

This Contract, entered into voluntarily by and between:

Name of Seafarer : _____
 Date of Birth : _____ Place of Birth : _____
 Address : _____
 SIRB No. : _____ SRC No. : _____
 License No. : _____

hereinafter referred to as the Employee, and

Name of Agent : **C.F. SHARP CREW MANAGEMENT, INC.**
 Address of Agent : **CASA ROCHA 290-292 GENERAL LUNA ST. INTRAMUROS, MANILA.**
 For ~~a~~ **CORMORANT MARINE PTE. LTD., FOR AND ON BEHALF OF GLOBAL MARINE SYSTEMS LTD. (DOC HOLDER)**
171 TRAS STREET, #04171A UNION BUILDING, SINGAPORE (079025)
 (Principal Country)

For the Vessel : **C/S WAVE VENTURE**

IMO No. : **8027810** Gross Registered Tonnage (GRT) : **10076** Flag : **BRITISH**
 Official No. : **902722** Year Built : **1982** Vessel Type : **CABLE LAYER**
 CBA Affiliation : **AMOSUP/NAUTILUS CBA** Classification Society : **ABS**
 hereinafter referred to as the Employer.

WITNESSETH

1. That the employee shall be employed onboard under the following terms and conditions

Position	ORDINARY SEAMAN	
Basic Wage (191 hours per month)	\$ 482.00	Contract Length <u>9.00</u> - - 1 month(s)
Leave Pay (11 - days rating 12 - days officer)	\$ 177.00	
FOT GOT (85 hours per month)	\$ 268.00	
Extra OT (89 hours per month) - Officer	\$ 0.00	Variable OT Rate USD \$ 3.15 per hour
Market Allowance (Officer)	\$ 0.00	USD Deductions every month
SMB(Rating)	\$ 40.00	a) Monthly Allotment \$ 390.00
Retirement Allowance Pension Fund	\$ 48.00	
Seniority	\$ 6.00	USD Deductions : First Payroll
Total Monthly Pay	\$ 1,021.00	Cash Advance \$ 0.00
		1st Month Allotment \$ 195.00

- Point of Hire:** **MANILA**
- The herein terms and conditions in accordance with Governing Board Resolution No. 9 and Memorandum Circular No. 10, both Series of 2010, shall be strictly and faithfully observed.
 - The shipowner shall provide decent working and living conditions onboard the ship. Likewise, the health and social security protection benefits shall also be provided to the seafarer.
 - Any alterations or changes, in any part of this Contract shall be evaluated, verified, processed, and approved by the Philippine Overseas Employment Administration (POEA). Upon approval, the same shall be deemed an integral part of the Standard Terms and Conditions Governing the Employment of Filipino Seafarers On Board Ocean-Going.
 - Violations of the terms and conditions of this Contract with its approved addendum shall be ground for disciplinary action against the erring party.

IN WITNESS WHEREOF, the parties have hereto set their hands this **26 of February 2016** at Manila, Philippines.

 Seafarer

JOHN OLIVA
 For the Employer

Verified and approved by the POEA :

APPENDIX E
AMALTHEA EMPLOYMENT CONTRACT (ORDINARY SEAMAN)

This is an employment Contract obtained by an ITF inspector on the East Coast of Canada from the Greek-flagged vessel *Amalthea*, an oil-tanker that was granted a *Coasting Trade Waiver*. Hired through a third-party agency based in Manila, Philippines this document shows an Ordinary Seaman position earning a basic wage of \$2.34 per hour.

Republic of the Philippines
 Department of Labor and Employment
PHILIPPINE OVERSEAS EMPLOYMENT ADMINISTRATION
CONTRACT OF EMPLOYMENT

OS
 Signed on
 02/06/2015
 Big Stone Arch

KNOW ALL MEN BY THESE PRESENT:

This contract, entered into voluntarily by and between:

Name of Seafarer: _____
 Date of birth: _____
 Address: _____
 SIRB No.: _____
 Hereinafter referred to as the Employee

And

Name of Agent: **MINERVA MARINE AGENCY, INC.**
 Name of Principal/Shipowner: **MINERVA MARINE INC.**
 Address of Principal/Shipowner: **141-143 VOULIAGMENIS AVE., VOULA, ATHENS, GREECE**
 For the following vessel:
 Name of Vessel: **M/T AMALTHEA**
 IMO Number: **9298650** Gross Registered Tonnage (GRT): **60,007** Year Built: **2006**
 Flag: **GREEK** Type of Vessel: **TANKER** Classification Society: **LRS**
 Hereinafter referred to as the Employer.

WITNESSETH

- That the employee shall be employed on board the following terms and conditions:
 - 1.1 Duration of Contract: **9 MONTHS**
 - 1.2 Position: **ORDINARY SEAMAN**
 - 1.3 Basic Monthly Salary: **\$450.00 + \$45.00 (SEAFARER ALLOWANCE) + \$150.00 (OVER-COASTING SUPPLY ALLOWANCE) + \$100.00 (OVER-COASTING BONUS)**
 - 1.4 Hours of Work: **48 Hours Per Week**
 - 1.5 Overtime: **\$ 135.00 FIXED OVERTIME 90 Hours Per Month**
 - 1.6 Vacation Leave with Pay: **\$ 70.00/month (4.6 days)**
 - 1.7 Point of Hire: **MANILA, PHILIPPINES**
 - 1.8 Collective Bargaining Agreement, if any: **N/A**

- The herein terms and condition in accordance with GBR No. 9 and Memorandum Circular No. 10, both Series of 2010, shall be strictly and faithfully observed.
- Any alterations or changes, in any part of this Contract shall be evaluated, verified, processed and approved by the Philippine Overseas Employment Administration (POEA). Upon approval, the same shall be deemed an integral part of the Standard Terms and Conditions Governing the Employment of Filipino Seafarers On Board Ocean-Going Vessels.
- Violations of the terms and conditions of this contract with its approved addendum shall be ground for disciplinary action against the erring party.

IN WITNESS WHEREOF the parties have hereto set their hands this 03 Day of JUN 2015 at Manila, Philippines.

 Seafarer


ENGR. HENRY O. ABELLA
 General Manager
 For the Employer
 Name and Signature / Designation

