



CMC POSITION PAPER

Pilot Hiring Flexibility

CMC Position

- ✓ Amend Section 15 of the Pilotage Act to remove existing legislative restrictions that prevent pilotage authorities from hiring pilots as both employees of the authority and as individually contracted pilots, simultaneously, as they deem necessary in order to efficiently meet their mandate.

Background

Most commercial waterways throughout Canada require that shipping companies engage the services of pilots: professional mariners certified with the knowledge and expertise of safe navigation in the waterways in their respective jurisdiction. When pilotage services are required, marine pilots are dispatched to meet and board vessels as they enter designated compulsory pilotage areas.

And for many ships that come into Canadian waters without officers onboard who may not be intimately familiar with the waters they ply, marine pilots perform a vital, indispensable service by ensuring vessels carrying tonnes of valuable cargo transit through Canadian waters to and from their destination without incident.

However, under Section 15 of the Pilotage Act, if pilots in any region collectively decide they do not want to work as employees of an individual pilotage authority, they can effectively force the authority to only contract with their pilot corporation, which then has monopoly control over the supply of pilots, resulting in less than competitive rates for pilotage services.

Conversely, where an authority (such as the Great Lakes Pilotage Authority) does not engage pilots by contract, but rather employs pilots as employees of the Authority, Section 15 also prevents the Authority from simultaneously hiring individual pilots on a contract basis. The effect of this restriction for an Authority that has employee pilots is that the Authority must have on payroll a full complement of relatively high cost pilots in order to respond to unpredictable vessel traffic demands, whether such traffic materializes or not. In any given year, if vessel traffic exceeds forecasts, the Authority struggles to spread its limited pool of employee pilots to meet demand and must pay hefty overtime premiums to its employee pilots. If vessel traffic is less than forecasted, the Authority incurs significant overhead, paying employee pilots wages for pilotage work that is not even performed. In both cases, the end result is excessive costs for which – through cost recover – industry is ultimately forced to pay.

The effect of this lack of pilotage authority control over the supply of pilots is predictable. As shown in the chart below, over the past four years for which records are available, pilotage revenue (tariffs collected from industry) has increased by 30%, translating into approximately \$16 million more than strictly inflationary increases.

Furthermore, such a system effectively not only limits choice for pilotage authorities, it forces industry to decide between either paying excessive tariffs to support oversupply of pilots, or an even less attractive alternative, demanding fewer pilots and lower tariffs which might lead to even more expensive ship delays from a potential under-supply of pilots.

Increases in Pilotage Revenue 2003-2007

	2003 (mil \$)	2007 (mil \$)	\$ Chg (mil \$)	% Chg (%)
Total	\$113.3	\$148.3	\$34.9	30.8%
Consumer Price Index (2002=100.0)	102.0	109.4	\$8.2	7.3%

Pilots & Assignments 2003-2007

	2003	2007	Chg	% Chg
# Pilots	392	405	13	3.3%
# Assignments *	49293	54017	4724	9.6%
Cost per Assignment	\$2,299	\$2,745	\$446	19.4%

Breakout of Total Increase in Cost (\$34.9 mil)

Of the total increase in revenue to pilotage authorities:

Portion attributable to rate increase	54017	\$446	\$24.1 mil
Portion attributable to inflation			\$8.2 mil
Increase in cost beyond inflation			\$15.9 mil

Rationale

By amending Section 15 of the Pilotage Act to permit pilotage authorities to hire pilots as both employees and as individually contracted pilots simultaneously, at least two very significant benefits would result without any negative impact on services.

First, this amendment would introduce price (wage) competition and a much freer labour market for the provision of pilotage services. All else equal, this would have the effect of putting downward pressure on the price of pilotage services.

Secondly, with this legislative amendment, pilotage authorities would be able to meet demand for predictable pilotage services with a stable, yet smaller supply of employee pilots and therefore fixed costs, yet simultaneously have the flexibility to engage individual pilots on contract as warranted to meet inevitably fluctuating traffic demands.

To enact such change, the CMC proposes the following amendment to the Pilotage Act (as proposed in Bill C-4, 39th Parliament, 2nd Session):

Section 15 of the Pilotage Act should be replaced by the following:

15. An Authority may, as it considers necessary for the proper conduct of its work,
- (a) employ any officers and employees, including licensed pilots and apprentice pilots; and
 - (b) enter into a contract with a body corporate for the provision of services of licensed pilots and the training of apprentice pilots.