

July 6, 2016  
The Honourable Marc Garneau  
Minister of Transport  
Transport Canada  
330 Sparks Street  
Ottawa, Ontario  
K1A 0N5  
Canada

### **Seaspan's Response to the Report of the Canada Transportation Act Review**

Dear Minister,

Seaspan appreciates the opportunity of responding to the Report of the Canada Transportation Act Review tabled, by you, in Parliament on February 25, 2016.

The report's content provides an important opportunity to assess Canada's maritime environment, the transportation infrastructure that supports it and the principal stakeholders involved. The federal government is to be commended for its leadership in this domain and Mr. Emerson for his continuing distinguished service to Canada.

As a full service marine provider operating continuously on Canada's West Coast since 1886, Seaspan is aware of a number of modern day maritime realities, including:

- The Trans-Pacific Partnership trade agreement, once it enters into force, will provide significant opportunities for Canadian resource development to find its way to a rapacious Asian consumer market. For that reason, Seaspan is a strong proponent of its implementation;
- commercial opportunities, maritime activity and security interests are all increasing in the Canadian North and in our West Coast littoral environment;
- instability around the world and the threat of terrorism and organized crime means Canada must be vigilant to protect its coastlines, global trading sea lanes and ports; and,
- interests to protect the ocean environment and its maritime habitat in the face of rising sea-going traffic and changing and often unpredictable weather patterns are demanding early warning, detection and rapid and effective marine response capability.

As the Report concludes, all of these realities present the Canadian Coast Guard (CCG), Royal Canadian Navy (RNC) and Royal Canadian Mounted Police (RCMP) with an expanded and increasingly complex and inter-dependent array of missions to perform in the maritime domain.

What is rarely mentioned in the Report, however, is the opportunity for Canada to leverage its response to these realities to stimulate jobs, innovation and economic activity at home with Canadian businesses. Seaspan believes there is a generational opportunity for our West Coast shipbuilding, ship repair and marine industries to support Canada's maritime interests to the benefit of our national sovereignty, security, environmental stewardship and economic well-being. We believe, in fact, that Canada's maritime interests will be enabled and sustained through a strong and lasting partnership with Canada's West Coast marine industry.

This is the hallmark of the National Shipbuilding Strategy (NSS), which was brought into force to recapitalize federal vessel fleets, rebuild a sustainable domestic shipbuilding industry, generate economic benefits across the country and eliminate the boom and bust cycles that have defined previous federal shipbuilding. Seaspan is proud to have won the right, through a fair, open and transparent competitive procurement process to build a series of vessels for the Canadian Coast Guard and Royal Canadian Navy through a planned production schedule over a multi-year timeframe.

As a direct result of having won the right to build the non-combat package of work under the NSS, Seaspan has invested \$170 million of its own money (at zero cost to tax payers) to build and now operate the most modern shipyard of its kind in North America. Our principal customer under the NSS is the Canadian Coast Guard. We expect to build up to 15 vessels of five different ship classes for it, and 2 supply vessels for the Royal Canadian Navy, as part of our initial package of work.

We are therefore particularly interested to comment on elements of the CTA Review's Chapter 10: Marine Transport and related perspectives on the Canadian Coast Guard, its mission and assets, with which, save for one exception, we generally agree.

Within that Chapter, we agree with "a number of stakeholders who expressed genuine concern that Canada is not meeting the mark: the Canadian Coast Guard has insufficient resources to fulfill its mandate and operates a very old fleet. With traffic increasing in all areas, it is time that the Canadian Coast Guard be properly resourced and equipped to meet the growing challenges that lie ahead."

We agree that "the Canadian Coast Guard fleet is aging, which has implications for maintenance, as well as procurement. Given that 29 percent of the large vessels are more than 35 years old and close to 60 percent of small vessels are older than the design life of 20 years, it is not surprising that the number of major systems repairs required is increasing, vessel days are decreasing, and the number of ships out of service is increasing over time."

We agree that "the Canadian Coast Guard is not receiving the political attention, or the administrative and financial resources it requires."

We support the Report's recommendation of augmenting and clarifying the Coast Guard's mandate by:

- giving it clear oversight and enforcement responsibilities for safety, security, and environmental protection in Canadian waters to improve efficiency and cost-effective delivery of these services;

- focusing on key activities such as search and rescue, environmental response, icebreaking, pilotage, navigation aids, and charting services, among others, with revenue collection where appropriate, and allowing industry to provide and be responsible for ancillary services, such as vessel traffic services;
- conducting a review of the roles of the Canadian Coast Guard in the Arctic (including its policy and enforcement roles) to ensure they are adequate to meet future challenges and harmonize with the roles of the Royal Canadian Navy and the RCMP; and,
- increasing funding for the Canadian Coast Guard to ensure that it has the resources to meet an enhanced mandate, and to satisfy current and future needs in respect of crisis response, fleet operations, increased traffic in all regions, inter-operability with our maritime neighbours, and technology-based solutions.

We take issue, however, with the statement that “under the National Shipbuilding Procurement Strategy, which requires the Canadian Coast Guard to purchase ships from Canadian shipyards, it can only replace one ship a year, at most.” The premise of the NSS, widely understood and supported across the federal political system, is to recapitalize the RCN and CCG while, at the same time, rebuild a sustainable Canadian shipbuilding industry. The industry is in the process of rebuilding itself after 25 years of limited government shipbuilding programs. For its part, Seaspan already has two Coast Guard ships under construction with a third to begin later this year. NSS should be allowed the time to generate a battle rhythm to evaluate what its production capacity will be. Properly executed, NSS is the best way to ensure Canadian taxpayers are getting the best value for their investment in new capability for the Canadian Coast Guard and Royal Canadian Navy.

In the same vein, we also believe that more discussion, and an evidence-based review, is required before the federal government accepts the Report’s recommendations related to accelerated Coast Guard fleet renewal and the proposed “discretion to lease and procure foreign vessels to augment capacity”. If adopted this recommendation would put the fundamental principles and objectives of the NSS at risk and we are doubtful that it would ultimately meet the long-term needs of the Canadian Coast Guard.

In this respect, we strongly recommend that any decision around alternate, accelerated delivery options for the Coast Guard must first consider full life cycle costing implications of managing mixed fleets related to equipment sparing, training, maintenance, repairs and overhaul and crewing. Without full life cycle costing, the adoption of short-term options will serve only to put added stress to an already over-stressed federal fiscal envelope without knowing how or whether interim assets will serve the operators’ needs. A more fulsome review will also want to assess the probability of inefficient asset management and sub-optimal operational effectiveness resulting from a hodgepodge of foreign acquired and/or the lease of mid-life commercial vessels.

The concept of leased commercial capability may have a ‘shiny object’ attractiveness to some, however, the hallmark of any sovereign country like Canada is in its ability to build, own and operate its own maritime fleets so as to protect, defend and promote our national security and economic interests. We urge the Government to stay the course on the NSS, it is the long-term answer to Canada's maritime future and it is already producing results.

The Coast Guard's current capability challenges have been decades in the making. Their path forward should be expected to include the development of a long-term capability plan based on anticipated mission priorities, including identified gaps. In the first instance, that plan should then become the basis, consistent with the NSS objectives and our long-term supplier relationship with Canada, of a build strategy and delivery schedule agreed to with Seaspan.

Any bridging of defined capability gaps through short term leases of existing vessels that are deemed by Canada to fall outside of the work to be performed under the NSS non-combat package, should be competed fairly and openly in the marketplace — as was the case with NSPS — and launched only after the federal government has satisfied itself to the costing and operational challenges identified above.

Suffice it to say, Seaspan recommends further review before changing existing federal government shipbuilding policy and the planned implementation of the NSS.

The CTA Review Report describes an ambitious and progressive future for Canada in the maritime domain. Seaspan believes, with our shipbuilding and ship repair operations, as well as our 100 years of continuous marine services activities on the west coast, that we are part of Canada's long-term solution.

We look forward to engaging directly with the Liberal government as it reviews and makes decisions on the Report's recommendations so as to fully exploit the capabilities and capacity available from Canada's West Coast marine industrial base.

Sincerely,



Jonathan Whitworth  
Chief Executive Officer  
Seaspan ULC

cc. B.C. Liberal Caucus