

News Release

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NEW APPROACH FOR COAST GUARD MARINE SERVICES

OTTAWA -- Fisheries and Oceans Minister Fred Mifflin today announced changes to the Canadian Coast Guard's (CCG) approach to marine service fees for the services it provides to the commercial shipping industry.

The 1995 Federal Budget committed the Canadian Coast Guard to a system of cost recovery for services such as aids to navigation and ice-breaking. The Canadian marine sector remains Canada's most subsidized commercial transportation sector. Proposed fees for 1997-98 are expected to generate in the order of \$26 million or 26 % of the estimated \$100 million cost of Coast Guard navigation services provided to commercial shipping.

"The Marine Services Fee represents a step towards ensuring that the users of the system, and not the Canadian taxpayer, pay for the Coast Guard services that they use," said Minister Mifflin. "At the same time however, the Coast Guard will continue with its own internal cost reductions."

"We have listened to the commercial marine industry and are moving towards the implementation of a new, more equitable approach to cost recovery for marine services," said Minister Mifflin. "We are continuing to work with industry to establish agreed upon principles while maintaining a safe and efficient marine system for the benefit of all Canadians."

"First, we are moving away from fixed revenue targets towards a system where the fees that are charged reflect the direct costs of providing the service to the user," Minister Mifflin stated. "Secondly, we will explore with industry the creation of an arms-length review mechanism for marine fee structures and annual fee levels. Thirdly, we will work in partnership with industry to establish principles to guide regional fee structures and levels of service based on services provided, explore alternative service delivery opportunities and improve our consultation mechanisms."

The transition measures listed above will be completed during 1997-98 with a view to having a comprehensive fee system in place for 1998-99, based on a percentage of direct costs.

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As an interim measure, CCG will apply the 1996-97 fee levels over a twelve month period for 1997-98. However, improvements will be made to respond to industry's clearly-expressed interest in:

- a zonal fee structure for the Maritimes
- a tonne-mile fee structure for domestic bulkers, self-unloaders and containers to help them pass the costs on to shippers
- a quarterly fee based on Gross Registered Tonne to apply to the remaining Canadian flag operators in order to recognize seasonal operations
- consistency between the rates applicable to vessels operating under a Coasting Trade license and those charged to domestic flag vessels in eastern Canada
- restructuring of current charges to recognize differences between small passenger vessels and larger cruise ships
- ensuring that particularly sensitive commodity flows such as aggregates and gypsum are not substantially impacted.

These improvements will be subject to further consultations prior to coming into effect on July 1, 1997, or earlier. As part of the proposed amendments, fee levels for the West Coast region which decreased to a lower level on March 1, will revert to their previous levels on July 1, 1997, to be consistent with those in the rest of the country. The appropriate fee schedule will be developed in consultation with the Western Marine Community.

Along with work to restructure existing fees for marine navigation services, Coast Guard will continue to develop, in partnership with industry, a new fee for ice-breaking services. This fee will be introduced in those areas requiring ice-breaking services as part of the comprehensive fee system for 1998-99, based on a percentage of direct costs.

Mr. Mifflin also released today the government's response to the Economic Impact Study of Major Marine Initiatives commissioned by the Department of Fisheries and Oceans and Transport Canada to examine the potential impact on industry of marine services fees and other federal marine initiatives. The study indicates that the average impact of fees at the levels proposed for 1997-98 would be modest. Proposed adjustments to the fees are intended to mitigate their impact on gypsum and aggregates - the only commodity flows identified by the study as having potential for disruption.

"We are taking this year to work with industry to refine this fee system," Minister Mifflin concluded. "The phasing-in of these fees will enable the Canadian Coast Guard to continue to ensure the safe and efficient operation of Canada's waterways, while decreasing the financial burden on the Canadian taxpayer."

The backgrounders related to this announcement are available on the automated Fax-On-Demand service of Fisheries and Oceans. It is immediately retrievable -- to users with a touchtone phone and a fax machine -- 24 hours a day, 7 days a week.

To retrieve, dial **1-416-362-1447** and follow the voice prompts.

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Background

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AIDS TO NAVIGATION SERVICES

The Canadian Coast Guard's aids to navigation services are part of an extensive marine safety net aimed at providing a safe and environmentally sound national transportation system.

The CCG provides both short range and long range aids to navigation.

Short Range Aids to Navigation (SRAN) include:

- **Visual aids** include lightstations marking prominent land features; buoys marking hazards, junctions and fairways; ranges marking centrelines of channels; and, daybeacons marking channels for daytime use.
- **Radar aids** include radar reflectors to enhance detection of visual aids to navigation and important land features under reduced visibility conditions; and, radar beacons (RACONs) which send a distinctive response to ships' radar to identify important visual aids or land features.
- **Aural aids** include fog horns which warn of dangers and/or provide general direction; and, bell and whistle buoys which warn of hazards and/or provide general direction.

Long Range Aids to Navigation (LRAN) include:

- **Radiobeacons** which provide a means of homing in on major points of land, major harbours or ports of refuge.
- **Loran-C hyperbolic radionavigation system** that is used to identify vessel position on both the east and west coasts and on the Great Lakes, for use with Loran-C receivers and specialized nautical charts.
- Precision navigation systems such as the **Differential Global Positioning System (DGPS)** and the **Automatic Identification System (AIS)** which will help provide mariners with increasing navigational accuracy.

Marine communication and traffic services (MCTS)

MCTS services include the establishment of compulsory traffic routes and other shipping traffic controls necessary for safe navigation; issuing Notices to Mariners and Notices to Shipping; assisting Environment Canada in providing weather forecasts; and, establishing vessel traffic service zones and imposing mandatory practices and procedures within those zones.

MCTS centres are staffed by highly qualified personnel on a 24-hour, 7-day-a-week basis. Vessel Traffic Services (VTS) are provided in Canadian waters where the federal government has justified the need and has accepted responsibility for providing VTS. In all VTS zones, vessel movements are monitored through direct VHF radio communications. In some areas, VHF radio is supplemented by shore-based radar surveillance equipment, closed circuit television and/or visual sightings.

COST OF MARINE NAVIGATION SYSTEMS

The 1995-96 full cost of marine navigation services (SRAN, LRAN, VTS), which are subject to cost recovery by way of the Marine Services Fee is \$273 million. Of this amount, approximately \$99.8 million, excluding costs north of 60° , has been allocated exclusively to commercial shipping.

FURTHER STRATEGIC DIRECTIONS FOR COST REDUCTION

- **Modernization of Aids to Navigation**

The Canadian Coast Guard has begun the implementation of DGPS technology, an enhancement of the satellite-based Global Positioning System (GPS) which provides navigational accuracy to within 100 metres. The differential technique compares the position provided by the GPS satellites with the position of the ground-based differential station and computes the range of errors in the GPS signals. It then transmits the corrections to the user, in real time, providing a positioning accuracy of 10 metres.

DGPS technology, when combined with onboard Electronic Chart Display Systems (ECDIS), will enhance mariner safety and reduce the risk of marine accidents by allowing mariners to continuously update their vessel's position within the advertised coverage zones. With DGPS, mariners can navigate safely in complex and hazardous waterways, even in conditions of fog and reduced visibility.

Increased use of these technologies will also result in significant cost savings through reductions in visual aids requirements and greater efficiencies for CCG fleet operations including icebreaking and the placing and position checking of aids to navigation.

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- **Automatic Identification System (AIS)**

The Coast Guard is also testing an Automatic Identification System (AIS) to improve ship surveillance and enhance data exchange between ships and MCTS centres.

The AIS is a technique which uses radio transponders on board vessels to provide positive identification and accurate location. A ship equipped with an AIS transponder can also automatically determine its exact geographical position using the Global Positioning System (GPS) augmented by DGPS. Once the ship has determined its position, it feeds this information into the AIS transponder which transmits this information via a designated radio communication channel to an operations centre on shore as well as to other ships. The receiving station displays them on a display screen against the background of an electronic chart of the area.

AIS technology has the potential to help Coast Guard reduce the costs of some of its services while, at the same time, offering enhanced capabilities of ship detection, surveillance, and identification for data inquiries.

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Background

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CCG SERVICES SUBJECT TO COST RECOVERY BY WAY OF THE MARINE SERVICES FEE

In 1995-96, the cost of all Canadian Coast Guard (CCG) services (including corporate overhead, depreciation and cost of capital) were \$759 million.

The Marine Navigation Services Fee will cover a portion of the cost of navigation services provided to the commercial shipping industry.

These services include short-range aids to navigation, long-range aids to navigation and vessel traffic services. The total cost of these services is about \$273 million. Approximately \$99.8 million has been allocated exclusively to commercial shipping. This latter amount would be subject to partial cost recovery by way of the Marine Navigation Services Fee.

The total cost of icebreaking services is about \$200 million. Fees for icebreaking services will be deferred until 1998-99.

SERVICES NOT SUBJECT TO COST RECOVERY BY WAY OF THE MARINE SERVICES FEE

"Public good" services

A significant portion of the Coast Guard's services are not subject to cost recovery by the Marine Services Fee because they provide a public good.

These services include search and rescue, vessel traffic services which help prevent marine accidents that may lead to the pollution of the marine environment and the provision of icebreaking for the purpose of flood control.

Services north of 60⁰

Fees will not apply for the provision of services north of 60⁰, including the waters of Hudson, James and Ungava Bays, Lake Athabasca and other remote ports at this time.

The exemption is based on the socio-economic conditions of the North. This exemption will continue to be monitored.

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Backgrounder

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ICEBREAKING SERVICES

The Canadian Coast Guard provides, operates and maintains icebreakers and icebreaking facilities and services for marine traffic navigating through or around ice-covered waters. Services provided involve the physical act of icebreaking and the collection and analysis of ice information.

CCG's main icebreaking services include: route assistance; ice routing and information services; marine facilities and port maintenance; and, ice management.

Route assistance services include:

- Escorting ships and organizing convoys to travel through ice covered waters;
- Freeing beset vessels;
- Maintaining shipping channels and tracks; and,
- Standing by in areas where requests for route assistance are likely.

Ice routing and information services include:

- Undertaking ice reconnaissance activities to survey and forecast ice conditions;
- Supplying ice information to interested parties; and,
- Providing ice information broadcasts and ice routing advice to ships requiring such information.

Marine facilities and port maintenance include:

- Breaking out approaches and clearing ice from wharves;
- Assisting shipping within ports ;
- Helping fishing vessels to gain access to and egress from their harbours; and,
- Breaking out harbours to facilitate ice clearance at the end of the ice season.

Ice management includes:

- Monitoring ice conditions and water levels in anticipation of flood risks;
- Preventing formation of ice jams/excessive buildup of ice in areas threatened by flooding;
- Providing icebreaker services to facilitate ice flow during spring break-up; and,
- Standing by in areas prone to excessive buildup.

Direct beneficiaries of ice routing services include domestic and foreign commercial vessels, fishing vessels, interested marine parties, and Canadian and foreign government vessels. Beneficiaries of marine facility and port maintenance services include ferry terminal operators, the St. Lawrence Seaway Authority, owners and operators of Canadian marine ports and harbours infrastructure. Ice management services benefit owners and users of property in specific flood risk areas.

COST OF ICEBREAKING SERVICES

The 1995-96 full cost to the CCG of providing icebreaking services was \$200 million. A total of \$149 million is the cost of providing route assistance and harbour breakouts.

STRATEGIC DIRECTIONS FOR COST REDUCTION

The CCG, in consultation with users, is continuing to explore options to reduce icebreaking services in an effort to significantly reduce costs. A joint industry/CCG working group, established in November 1995 by the Marine Advisory Board, examined levels of service required by commercial clients. Their findings will help cost reductions and additional efficiencies.

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