



Canadian Coast Guard Marine Services Fees

CMC Position

The Chamber of Marine Commerce believes that Canadian Coast Guard (CCG) Marine Services Fees should be eliminated with efforts remaining focused on improving the cost effectiveness of delivering CCG programs through the National Marine Advisory Board.

Background

Marine service fees (MSF) were introduced as a result of the Program Review exercise in the mid-1990s, with the Treasury Board setting an arbitrary revenue target of \$40 million. All commercial vessels arriving at Canadian ports are required to pay user fees to the Canadian Coast Guard. The Canadian Coast Guard (CCG) currently collects approximately \$40 million per year in the form of 'marine service fees' (MSFs) from shipping companies that transport goods and materials throughout Canada's waterways and all over the world.

Technically, MSFs include the Marine Navigation Services Fee, Icebreaking Services Fee or the St. Lawrence Maintenance Dredging Services Fee. These fees were originally meant to offset costs for CCG to provide navigation aids like buoys and lighthouses, for dredging, icebreaking and overall waterway maintenance. However, these fees have never been directly attributed to the provision of such services to industry.

Rationale for Elimination of Marine Services Fees

The CMC believes that there are a number of compelling reasons why the Federal Government should take action to immediately eliminate Marine Services Fees:

1. **Placing Canada's marine sector at a competitive disadvantage domestically and internationally.** The marine industry performs an essential service to Canada's major natural resource, manufacturing, agricultural, and service companies that rely on marine transport to move their materials and products. A substantial portion of Canada's import and export trade is water dependent. Canada's marine industry operates on razor thin margins within an intensely competitive global marketplace. Costs, including CCG Marine Service Fees, have a significant effect on the competitiveness on Canada's major shippers and all maritime stakeholders.
2. **Discourages the use of the safest and most environmentally friendly mode of transport – marine.** Since their inception, the marine industry has argued that the fees are detrimental to the competitiveness of major cargo shippers who rely on an efficient and economical marine transportation network in Canada. The Coast Guard fees have served to discourage the use of marine transportation which is the safest and most environmentally friendly mode of transport.
3. **Could not be introduced today under the User Fee Act (2004).** Due to the fact that these fees have never been directly attributed to the provision of such services to industry, it would be very difficult for the government to introduce these same fees today. Additionally, due to the complexity and structure of the marine industry in Canada, the impact of the fees is difficult to quantify; this was the conclusion of a \$1.0m study conducted by the Treasury Board in 2000.
4. **Only commercial shippers are charged marine service fees** - other users of our marine highways, such as commercial fishers and recreational boaters who use the same services, are not required to pay MSFs. Forcing shipping companies to pay MSFs is like only charging truckers to use

roads that are built and maintained by government for all users. In this respect, not only are MSFs punitive to shipping, they also discriminate against shipping.

5. **U.S. Coast Guard does not charge its domestic shippers fees** - instead, they've recognized the overall positive contribution of the marine sector to the economy and finance it entirely through the public purse.
6. **Focus should be on efficient delivery of Coast Guard services** - The marine industry's important contributions to economic prosperity, growth and exports should be strengthened rather than diminished by government policies. The Government of Canada and industry must work together to reduce costs and improve productivity by modernizing governance models, exploiting commercialization opportunities, introducing new technology, and streamlining the regulatory and legislative framework. The marine industry and the CCG should concentrate efforts to improve service delivery efficiency and cost effectiveness.

The most recent cost numbers provided by CCG are as follows:

\$ In millions	96/97	04/05	% Change
Total CCG Cost (Capital & O&M)	432.7	318.9	- 26%
Allocated to Industry:			
▪ Icebreaking	75.5	54.9	- 27%
▪ Newfoundland	11.7	7.5	- 36%
▪ Maritimes	14.3	10.0	- 30%
▪ Quebec	23.1	22.5	- 3%
▪ Central	19.0	9.4	- 51%
▪ Pacific	<u>19.1</u>	<u>16.5</u>	<u>- 14%</u>
Total allocated to industry	162.7	120.8	- 26%
Industry % of Total CCG Costs	38%	38%	
MSF Fee (Excludes St. Law Dredging)	\$34.0	\$34.0	
Fees as % of Costs Allocated to Industry	25%	33%	