

Small Craft Harbours Program

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to the

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SCH Program Overview

SCH Program Mandate

SCH's mandate is to provide the commercial fishing industry with harbour infrastructure that is safe and meets their operational needs. Non-core harbours (i.e. recreational harbours and low activity harbours) are to be divested or removed.

SCH Program Vision

An essential, affordable, national network of safe and accessible harbours, in good working condition, that meets the principal and evolving needs of the commercial fishing industry, while supporting the broader interests of coastal communities and Canada's national interests. These harbours are to be fully operated, managed and maintained by viable and professional Harbour Authorities.

Economic Context

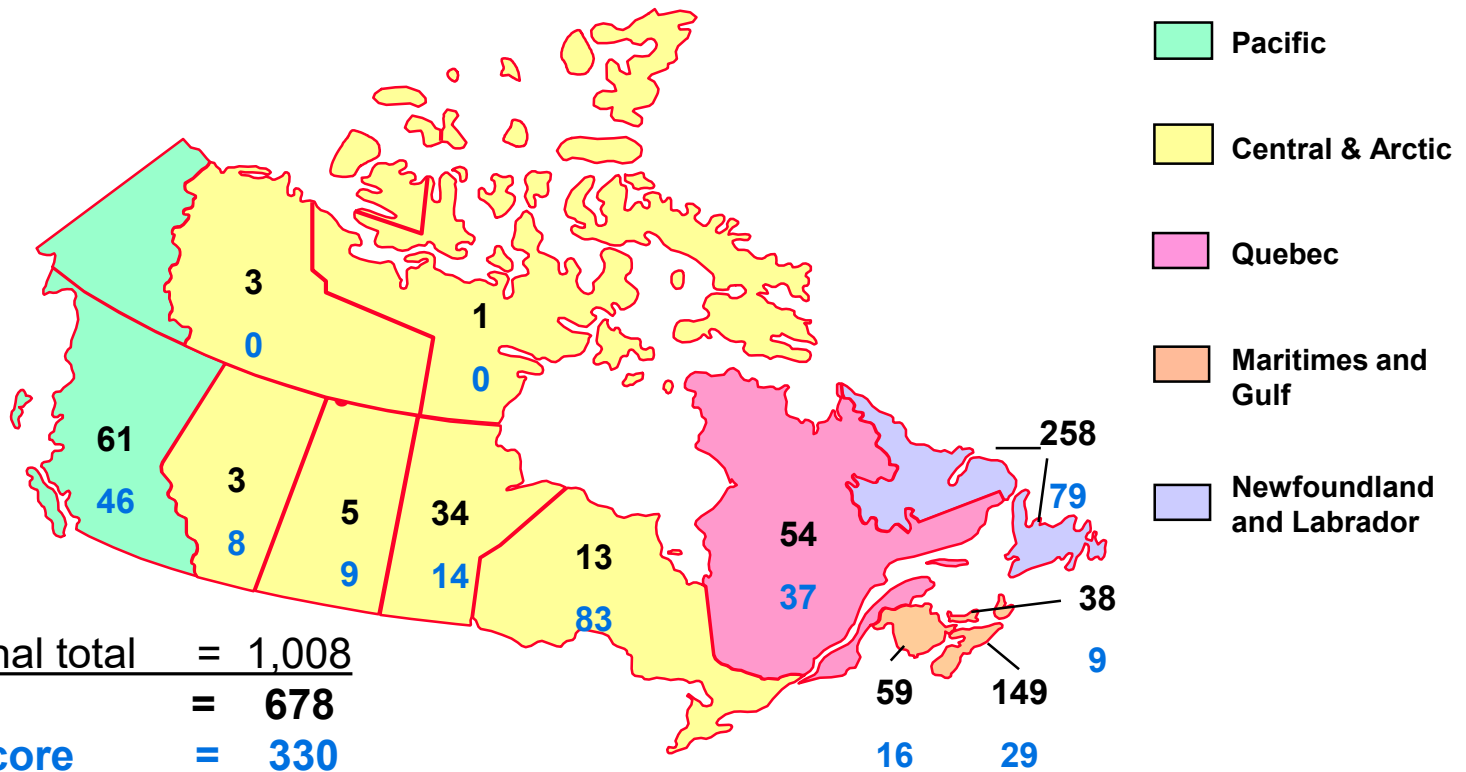
- The SCH Program plays an important role in providing coastal communities and the commercial fishing industry with safe and accessible facilities.
- Investments at SCH harbours support the growth of the commercial fishing industry and provides economic opportunities for middle-class Canadians.
- The Canadian commercial fishing industry plays a substantial role in the Canadian economy:
 - In 2016, contributed \$11 billion with landings valued at \$3.4 billion.
 - Approximately 44,300 Canadians are employed in the commercial fishing industry in addition to thousands more jobs in supporting industries.
- Approximately 90% of commercial fish harvesters use SCH facilities:
 - SCH facilities are often the only visible federal presence in remote communities, or provide the only public access to waterways.

Distribution of SCH Harbours

(as of November 2018)

Province	Core Fishing Harbours	Non-Core Harbours (recreational and non-core fishing harbours)	Total Province
British Columbia	61	46	107
Alberta	3	8	11
Saskatchewan	5	9	14
Manitoba	34	14	48
Northwest Territories	3	0	3
Nunavut	1	0	1
Ontario	13	83	96
Quebec	54	37	91
New Brunswick	59	16	75
Nova Scotia	149	29	178
Prince Edward Island	38	9	47
Newfoundland & Labrador	258	79	337
	678	330	1,008

SCH Harbours in Canada



As of November 2018

Harbour Authorities

- The Harbour Authority (HA) program was implemented in 1987 to involve local users in decisions on management and maintenance of harbours, taking local needs into consideration.
- HAs are client-run, not-for-profit, volunteer organizations.
- As of November 2018, there are 565 HAs.
- The contribution of HAs to the SCH Program is significant:
 - HAs collect an estimated \$25-30M annually in revenue from users through berthing fees, leases and licenses; this revenue is re-invested in harbours for maintenance, paid staff (harbour manager) and various infrastructure projects.
 - There are approximately 5,000 HA volunteers nationally.
 - The total estimated volunteer and user contributions (revenues) are estimated at approximately \$30M per year.
- The HA management model has been very successful. This is largely due to the hard work and dedication of HAs and their volunteer members.

National Harbour Authority Advisory Committee (NHAAC)

- Established in 2001 as an advisory group to the SCH Program.
- Represents all five DFO regions across Canada.
- Total of 15 elected volunteer representatives.
- National representatives are elected from their respective regional HA advisory committees.
- Meet once per year and hold conference calls as needed.
- Provide advice on an on-going basis to SCH on a range of initiatives.

Program Funding

SCH Annual Regular Budget (A-base)

- From 2000-01 to 2006-07: SCH budget has varied between \$71M and \$80M
- Since 2007-08: SCH budget has been relatively stable between \$88M and \$99M
- SCH received a permanent A-base increase of \$20M in 2007-08 (this was the last time SCH received an A-base increase).
- Approximately \$20M of SCH's annual A-base budget is allocated to SCH salaries, program administration costs and HA support initiatives, leaving only approximately \$75M for maintenance, repairs, construction and dredging.

SCH Additional Funding (B-base)

- Since 2000-01, SCH has received additional temporary B-base funding under 13 different initiatives (for core and non-core harbours).
- Total B-base funding received from 2000-01 to 2019-20 (20 years): \$1.197B, an average of \$59.8 M / year
- Most recent initiatives include: Divestiture of Non-Core Harbours (Budget 2008 - \$45M over four years); Economic Action Plan (Budget 2009 - \$200M over two years); Storm Damage Initiative (\$57.4M over three years); Budget 2014 (\$40M over two years); Federal Infrastructure Initiative 1 (\$288M over two years); Federal Infrastructure Initiative 2 (\$149M over two years); and, Budget 2018 (\$250M over two years).

Analysis – Core Harbours (1/3)

- SCH's A-base has not increased since 2007.
- The estimated replacement value of core fishing harbours is over \$5B.
- Since 2007, inflationary pressures have significantly reduced SCH's purchasing power. This is in addition to increased demand for dredging and from the aquaculture industry as well as the challenge posed by climate change.
- **Asset Deterioration (rust out):** Several SCH assets have exceeded or are about to exceed their life expectancy due to many years of deferred repairs.
 - According to SCH, 52% facilities at core harbours are currently in unsafe, poor or fair condition (14% in unsafe/poor condition and 38% in fair condition)
- **Life cycle management:** According to a study done by SCH, the annual funding required to keep all core harbours in good working condition based on life cycle management principles has been estimated at over \$150-160M. Compared to the average annual A-base budget (excluding salaries and overhead) of \$75M, this represents a shortfall of \$75-85M. This amount does not include funding to address operational needs (see next slide).

Analysis – core harbours (2/3)

Operational Needs:

- **Overcrowding** at some harbours is becoming a hazard because:
 - Traditional fishing patterns are evolving and **size of vessels** has significantly increased in recent years, especially in Atlantic Canada;
 - **Aquaculture** industry is also placing increasing demands for services on the SCH Program.
- **Better protection is needed**
 - **Climate change** is affecting harbour infrastructure. Increasingly powerful and more frequent storms are causing damage to harbours, resulting in increased funding pressures.
- **More dredging is needed**
 - Deeper basins and channels are needed -- mainly due to **larger vessels** and **climate change** which is causing increased sedimentation.
 - SCH currently dredges regularly at over 350 harbours.
 - Currently, approximately **\$8.6M** is spent each year on maintenance dredging which is far less than what would be required (SCH estimates the annual dredging requirements at approximately **\$21M**).
 - **Dredging costs are expected to increase** in the future due to escalating fuel, equipment and labour costs; increasing size of fishing vessels; changing sedimentation patterns due to climate change; more stringent environmental and regulatory restrictions (including increased cost to dispose of contaminated sediment and need to build confinement cells)
- **Increases in First Nations participation** in the commercial fisheries and more transient fisheries are affecting the distribution of fishing effort, which is causing further congestion at some fishing harbours.

Analysis – core harbours (3/3)

- From 2008-09 to 2017-18 (10 years), SCH B-base investments at core fishing harbours = \$767.3M; represents an average of \$76.7M per year which is more or less equivalent to SCH's entire annual A-Base budget.
- While this incremental funding has improved the state of the asset base and operating conditions, there remains a significant funding gap.
- Budget 2018 is further providing \$250M over two years to address that funding shortfall.
- However, once this initiative is completed, SCH's annual budget will revert back to A-base funding only.
- Without an A-base increase, in order to be sustainable, SCH will continuously require regular infusions of B-base funds. This is less than ideal from a long-term planning perspective.
- **Note:** From 2015-16 to 2019-20 (5 years), under the two Federal Infrastructure Initiatives (FII-1: \$288M in 2015-16 and 2016-17 and FII-2: \$149M in 2016-17 and 2017-18) and Budget 2018 (\$250M in 2018-19 and 2019-20), SCH B-base funding totaled \$687M, and average of \$137M per year, basically twice SCH's A-base budget.

Analysis - Non-Core Harbours (1/3)

- In 1995, under Program Review, SCH's mandate was narrowed to focus on core fishing harbours only:
 - All recreational and non-core fishing harbours were directed to be divested.
- Since Program Review, SCH has invested \$123M (A-base and B-base) on divestitures and divestiture-related activities.
 - More than 1,100 non-core harbours have been divested (recreational and non-core fishing harbours).
 - Approximately 330 non-core harbours remain in SCH's inventory
- During the period of 2001-02 to 2011-12, SCH received two B-base funding infusions for divestitures:
 - \$24M (2 years) from 2000-01 to 2001-02 (included in the \$123M cited above)
 - \$45M (4 years) from 2008-09 to 2011-12 (included in the \$123M cited above)
- A portion of Budget 2018 funding will also be allocated to divestitures.
- Divestiture approaches include transfers, demolitions/removals and containment (rock-over).

Analysis - Non-core harbours (2/3)

- SCH is responsible to ensure public safety at all of its harbours, including non-core harbours.
- SCH does not have dedicated funding for the maintenance and repair of recreational and non-core fishing harbours as well as for the divestiture of these sites.
- In the absence of B-base, SCH spends only approximately \$1.5M - \$3M per year from its A-base budget on divestitures.
- Without dedicated funding for divestitures, recreational and non-core fishing harbours face several challenges including:
 - Continued deterioration, leading to increased legal liabilities;
 - Increased cost due to the interim requirement to invest in safety (emergency repairs, barricades, facility closures, other restrictions) prior to harbour divestiture;
 - Additional pressure on the SCH regular program budget;
 - Delays in divestitures lead to increased frustration experienced by local communities/municipalities who are interested in taking over the assets;
 - Slow progress and inability to complete high cost divestitures with the limited funding available.

Analysis - Non-Core Harbours (3/3)

- Although non-core harbours require funding to divest or remove them, once this is done, they are no longer the government of Canada's responsibility to maintain which translates into:
 - **Cost savings over time**
 - **Local economic growth opportunities**
 - Footprint reduction
 - Liability issues are addressed
- **Recreational harbours:**
 - Recreational harbours remaining to be divested are generally high costs and more complex to divest. For example, several divestiture projects identified to be completed through Budget 2018 will require investments in excess of a million dollar.
 - There is a significant demand from municipalities that are interested in acquiring SCH harbours in order to enhance their tourism and local development opportunities (i.e. waterfront development).
- **Non-core fishing harbours**
 - Usually small, low activity harbours
 - Are either transferred to interested party or demolished (footprint reduction); closed (rock-over) where it is not possible to remove them (for example, removal could cause shoreline erosion problems)

Conclusion

Core fishing harbours

- The commercial fishing industry needs harbours that are safe and meet their operational needs.
- SCH's A-base has not increased since 2007; despite the many B-base funding investments made by government in the past ten years, there remains a significant funding gap.
- Investments at SCH harbours support the growth of the commercial fishing industry and provides economic opportunities for middle-class Canadians.
- Several core assets have exceeded or are about to exceed their life expectancy.
- The size of vessels has significantly increased in recent years (congestion) and dredging requirements are not being met. Safety is at risk.
- Climate change is affecting harbour infrastructure and the aquaculture industry is growing, causing increased demand on SCH harbours.
- HAs do their share by re-investing approximately \$30M from revenues collected into the maintenance of harbours.

Non-core harbours

- SCH is responsible to ensure public safety at all of its harbours, including non-core harbours.
- SCH does not have dedicated funding for the maintenance/repair/divestiture of recreational and non-core harbours.
- Although non-core harbours require funding to divest or remove them, once this is done, they are no longer the government of Canada's responsibility to maintain which translates into:
 - cost savings over time; local economic growth opportunities; footprint reduction; liability issues are addressed.
- There is a significant demand from municipalities that are interested in acquiring SCH harbours (mainly recreational harbours) in order to enhance their tourism and local development opportunities (i.e. waterfront development).



