



HOUSE OF COMMONS
CANADA

**SAFE, SECURE, SOVEREIGN:
REINVENTING THE CANADIAN COAST GUARD**

**REPORT OF THE STANDING COMMITTEE
ON FISHERIES AND OCEANS**

**Tom Wappel, M.P.
Chairman**

March 2004

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THE STANDING COMMITTEE ON FISHERIES AND OCEANS

has the honour to present its

FIRST REPORT

Pursuant to Standing Order 108(2), the Committee has studied the Canadian Coast Guard and is pleased to report as follows:

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SAFE, SECURE, SOVEREIGN: REINVENTING THE CANADIAN COAST GUARD

Introduction

On 30 January 2003, the Committee adopted the motion “that the Committee undertake a comprehensive study into the Canadian Coast Guard.” The Committee began its study in June 2003, when it met with the Commissioner of the Coast Guard. In September 2003, the Committee met with officials from the various Coast Guard agencies and with parliamentarians while visiting Norway, the United Kingdom and Iceland. In the fall, the Committee held additional hearings with the Commissioner of the Coast Guard and with representatives of the commercial shipping industry, the Coast Guard unions, the Auditor General’s Office, the Canadian Coast Guard Auxiliary, and a member of the Senate of Canada.

The Committee’s commitment to a comprehensive study of the Canadian Coast Guard resulted in part from its February 2003 report on difficulties within the Canadian Coast Guard Marine Communications and Traffic Services (MCTS).¹ In February 2003, the Committee tabled its MCTS report, in which it recommended among other things, a considerable increase in funding for MCTS and an increase in the number of MCTS officers. The Committee’s recommendations were for the most part rejected by the Government. Some of the observations, recommendations and information from that study has been included in the present report.

The present study was completed in the fall of 2003 and the Committee’s findings and recommendations are detailed in this report, which concerns itself less with specific problems and more with the underlying cause of and cure for what the Committee believes to be a profound malaise at the Coast Guard.

A failed merger

In 1995, the Coast Guard was transferred from Transport Canada to the Department of Fisheries and Oceans (DFO). The merger of the Coast Guard with DFO was difficult and painful. Funding for both departments was significantly reduced in 1994 as a result of Program Review and the integration of two organizations with different structures and corporate cultures added significantly to the challenges faced. In the view of the Committee, the transfer of the Coast

¹ House of Commons, Standing Committee on Fisheries and Oceans, *Canadian Coast Guard Marine Communications and Traffic Services*, Report, Ottawa, February 2003.

Guard to the Department of Fisheries and Oceans has been disastrous for the Coast Guard. The Coast Guard has virtually disappeared within DFO. The combined fleet has been reduced almost to half its pre-merger strength. The average age of the Coast Guard vessels is over 20 years. Almost half have less than five useful years of service left. Fisheries and the Coast Guard patrols have for all practical purposes been abandoned. The idea that great cost savings would be realized by merging the two fleets was, in our view, largely an illusion.

Current mandate of the Canadian Coast Guard

Since its first incarnation in 1962, the Canadian Coast Guard has changed significantly. The Canadian Coast Guard was originally established, in response to demands for a national marine service and a search and rescue service, similar to that of the U.S. Coast Guard, that could meet the needs of the fishing and commercial shipping industries. However the origin of Canadian government marine services in one form or another dates back to the creation of Canada in 1867. The establishment of a marine search and rescue branch was one of the main reasons for the creation of a Coast Guard in 1962. Another significant reason was the question of Arctic sovereignty and the need for a visible Canadian presence in the far north. Since its inception however, the Coast Guard has been chronically underfunded and has never had the resources to fully meet the goals it was intended to attain.

Unlike its U.S. counterpart, the Canadian Coast Guard is a civilian organization. As an organization within the Department of Fisheries and Oceans, the Coast Guard does not have an explicit mandate. However section 41 of the *Oceans Act* states that the Minister of Fisheries and Oceans is responsible for the Coast Guard services and that his powers, duties and functions in that capacity extend and include all matters relating to:

- Services for the safe, economical and efficient movement of ships in Canadian waters through the provision of
 - Aids to navigation systems and services,
 - Marine communications and traffic management services,
 - Ice breaking and ice management services, and
 - Channel maintenance;
- The marine component of the federal search and rescue program;

- Pleasure craft safety, including the regulation of the construction, inspection, equipment and operation of pleasure craft;
- Marine pollution prevention and response; and
- The support of departments, boards and agencies of the Government of Canada through the provision of ships, aircraft and other marine services.

The Commissioner states that the Coast Guard exists to support the Department of Fisheries and Oceans in the achievement of the first three of its five mandated objectives²:

- Protecting the marine and freshwater environment;
- Maintaining maritime safety; and,
- Facilitating maritime commerce and ocean development;

The Coast Guard also manages and operates the DFO fleet.

Changing worlds, new challenges

The next few years will bring new challenges to the Canadian Coast Guard, and the Committee is convinced the organization is not adequately equipped or financed to face these challenges. We see these challenges as coming from four main areas, each related to one or more Coast Guard programs. These areas are: first, Canada's marine and coastal security; second, the increase of maritime traffic; third, the development of offshore oil and gas production and Canada's preparedness for the prevention of an environmental disaster; and fourth, the preservation of Canada's sovereignty in the Arctic as climate changes opens the Northwest Passage to maritime traffic. In addition, the Committee believes that the access to new technologies makes the situation even more complex as these could be part of the solution, but the implementation of which would also represent an additional challenge for an organization that is already strapped for capital and operating funds.

Who is guarding our coasts?

September 11, 2001 has been described as the day the world changed. That was certainly true for North Americans who came to realize that North

² John Adams, *The Canadian Coast Guard National Institution, National Asset, About Us*, Canadian Coast Guard Web site, 7 January 2004.

America was vulnerable. Countries in many other parts of the world have however been living with the threat and reality of terrorism for decades.

North Americans have been forced to re-evaluate their approach to domestic security and safety. Yet, nothing has changed with the Canadian Coast Guard.

At a meeting with the Canadian Auto Workers union (CAW) representing Marine Communications and Traffic Services officers, the Committee was told that, with respect to the control of marine traffic, the only response to September 11 had been to increase the notification period for ships entering Canadian waters from 24 hours to 96 hours and that notice of this change in procedure had not been issued until a month after the attack³.

Part of the problem is that no one agency is responsible for Canada's marine and coastal security. There is overlap; there is confusion; and there is denial of responsibility. The reality is that no agency wants to become the lead because there is no funding, coordination, or effective direction. As a result, Canada's security on its coasts, the Great Lakes, and the St. Lawrence Seaway is seriously compromised.

In an October 2003 comprehensive report on security, the Senate Committee on National Security and Defence concluded that our coastlines were the longest under-defended borders in the world. The Committee agrees.

Offshore oil and gas production and increased maritime traffic

Increasingly, the worldwide trend in oil and gas is to offshore production. Already about 60% of the world's oil and gas comes from coastal developments. Canada is no exception. The development of offshore oil and gas production on Canadian coasts began in the 1970s and an increasing number of offshore oil and gas fields are currently being considered for exploitation. Areas at various stages of interest, exploration, or development include the south coast of Newfoundland, the coastal waters of Cape Breton, the Gulf of St. Lawrence, the St. Lawrence estuary in Quebec and Hecate Strait (Queen Charlotte Basin) on the coast of British Columbia.

The offshore environment is frequently unpredictable and unforgiving and the trend to offshore development of oil and gas production has increased the

³ Unlike the 24-hour notification period, the 96-hour notification period is not mandated by regulation. However, Transport Canada has drafted new comprehensive *Marine Transportation Security Regulations* that make reference to "96-Hour Pre-Arrival Information Requirements." The regulations should be in place by July 1, 2004 in order for Canada to comply with its international commitment to adopt the ISPS Code from SOLAS.

responsibilities of the Canadian Coast Guard in a number of ways including search and rescue, an increase in the volume of maritime traffic to be monitored and coordinated, frequently in environmentally sensitive waters, and the potential for oil spills leading to the need for a heightened level of environmental surveillance and response preparedness. Canada has been fortunate so far to avoid a major marine environmental disaster of this type in recent years but too often we get reminders of the tragic consequences of such accidents, the latest being the wreck of the *Prestige* in November 2002, which polluted the coasts of Spain and France.

Major spills are a threat; smaller so-called “mystery” spills are a reality. DFO estimates that approximately 80% of the oil-spill incidents cannot be attributed to a specific source. It is estimated that oil released at sea, whether from chronic operational discharges or accidental spills kills as many as 300,000 seabirds each year in the waters off Atlantic Canada.

Climate changes and Canadian sovereignty in the Arctic

If, as most scientists now believe, global warming is real, commercial shipping will increasingly choose to navigate Canada’s Arctic waters, through the Northwest Passage. This route would be an economic alternative to the Panama Canal, reducing the Northern Europe-Northeast Asia voyage by roughly 4,000 nautical miles. If Canada does not maintain an effective presence, its sovereignty over its Arctic territories may be challenged. Canada will also have obligations under the International Convention for the Safety of Life at Sea (SOLAS). The Committee finds it noteworthy that the Canadian Coast Guard was created in 1962 in part to assert Canada’s sovereignty in the Arctic, specifically to support joint U.S. — Canada defence installations and to foster economic development.

Canada gained control of the territory between its continental land mass and the North Pole in 1880. The Canadian Department of Marine and Fisheries started conducting scientific expeditions of the region as early as 1884, and the sovereignty of Canada was proclaimed in 1903 with a cairn erected on Ellesmere Island. Captain J.E. Bernier proclaimed annexation of the entire Arctic Archipelago on 1 July 1909. Interestingly, despite the extent of Bernier’s expeditions in the Arctic, he was never able to transit the Northwest Passage. This is ironic considering that the passage is now opening up as a potential maritime route. To this day, there has been a continuous Canadian presence in the region. Although not originally included in the mandate of the Department of Marine and Fisheries, icebreaking services have contributed to this presence.

In an address to the crew of an expedition lead by Captain Bernier, the then Minister of Marine and Fisheries (1902-05), the Honourable Raymond Préfontaine stated “the importance of the voyage... to the remote territories of the North to

enforce the laws of Canada and to affirm its rights to this territory.”⁴ A century later and despite many technological advances, the relevance of this statement in the current context is remarkable.

Implementation of new technologies

It is a commonplace statement that the implementation of new technologies represents a challenge for any organization. Nonetheless, integrating new technologies to current practices often entails new resources, increased funding and specialized training. A number of new technologies have helped, will help or could help the Coast Guard to fulfill its roles and responsibilities. However, with chronic underfunding and the consequent history of neglecting training for its employees, the Committee has serious concerns as to whether or not the organization will be adequately funded and staffed to meet this challenge, and will be able to take advantage of these new technologies.

One of the most positive developments in coastal surveillance in recent years is a new type of radar, the High Frequency Surface Wave Radar Surveillance (HFSWR)⁵. Despite the fact that the technology was developed in Canada, it was first deployed in U.S. and Australia. HFSWR has proven a valuable tool that is cost-effective in comparison to satellite surveillance or continuous aerial patrols. The federal government has committed to install several units at high vessel traffic approaches.

The Automated Identification System (AIS) could become an effective part of a multi-layered surveillance system which would also include the HFSWR. AIS is a two-way transponder system that broadcasts information such as a ship’s name, course and speed. It uses Global Positioning System (GPS) technology and broadcasts on the marine VHF channels. The CCG has the mandate to build and operate the shore-based receiver component of the AIS system and develop a

⁴ Charles Maginley, *The Canadian Coast Guard, 1962-02*, St. Catharines, Ont., 2003, p. 24.

⁵ Unlike traditional shore-based microwave radar, HFSWR uses vertically polarized high-frequency electromagnetic signals that are not limited by the horizon but propagate along the ocean surface. This capability allows HFSWR to detect accurately and reliably surface vessels and low-flying aircraft at tactically significant ranges at low cost and in all-weather conditions.

capability for long-range vessel identification and tracking.⁶ By the end of 2004, all ocean-going ships of 300 gross tonnage or more, cargo vessels of 500 gross tonnage or more, and all passenger ships entering Canadian waters will be required to have AIS on board. At this time, fishing vessels and other small vessels are not required to install a transponder, although the development of a cheaper one-way Class B AIS transponder could change that.

Others technologies that could benefit the CCG involve the use of drones and satellites. Drones (also known as unmanned aerial vehicles or UAVs) allow beyond-line-of-sight surveillance, and have been adopted for surveillance by many countries since the Americans first introduced them to the battlefield in the first Gulf War. Drones would be capable of scanning more than 500 kilometres off our coasts. Satellites have already been used by DFO. Indeed, dedicated satellite surveillance capability has allowed for example to track oil slicks from ships. This initiative involves RADARSAT⁷ and its synthetic aperture radar technology and is a collaboration between the Canadian Space Agency, Environment Canada, Canadian Coast Guard, Transport Canada and the Department of National Defence.

Scrutiny of Programs and Services

Over the past several months the Department of Fisheries and Oceans has been undertaking a comprehensive process to review all of its policy and program activities.⁸ According to Larry Murray, the Deputy Minister, this process, called the Departmental Assessment and Alignment Project (DAAP), begun in November

⁶ The federal government has promised millions over five years for the implementation of this system. The amount promised differs depending on the source of information. A government's press release dated January 22, 2003 says \$37.5 million. The Commissioner mentioned \$27.5 million in the following statement: "Other recent developments include the provision of up to \$94.6 million over two years by the federal government for the refurbishment of our existing fleet and shore-based assets. The government has also announced that it will provide up to \$27.5 million over the next five years for the implementation of an automatic identification system. This system will increase the federal government's awareness of marine activity within Canadian waters."(Adams, 49:11:25). A recent DFO news release dated March 5, 2004 confirmed the figure of \$27 million as part of a \$172.5 million five-year package of initiatives to enhance the security of Canada's marine transportation system and maritime borders. It would appear that there were no authorizations in the Main or the Supplementary Estimates (A) to this effect for 2003-04. The Supplementary Estimates (B) 2003-04 contained \$3.3 million in operating expenditures for public security and anti-terrorism initiatives, and the Main Estimates 2004-05 contain \$8.5 million in Capital Expenditures for Marine Navigation Services and \$15 million more for Capital Expenditures for MCTS. It is not known whether the whole or any portion of this money will go towards the implementation of the AIS.

⁷ RADARSAT-1 is a sophisticated Earth observation satellite developed by Canada to monitor environmental change and the planet's natural resources. Launched in November 1995, RADARSAT-1 provides Canada and the world with an operational radar satellite system capable of timely delivery of large amounts of data. Equipped with a powerful Synthetic Aperture Radar instrument, it acquires images of the Earth day or night, in all weather and through cloud cover, smoke and haze. A lighter, cheaper and more capable version, RADARSAT-2, is expected to be launched in 2005.

⁸ Larry Murray, Deputy Minister, Fisheries and Oceans Canada, Committee *Evidence*, 12 June 2003.

2002, was expected to create possibilities for improving the Coast Guard operations. Under the DAAP, DFO was 1) pursuing all means to address short-term financial pressures and 2) undertaking a broader review to ensure that financial resources are allocated to DFO's highest priorities. The Committee, however, is convinced that the Coast Guard is not one of DFO's highest priorities.

In May 2003, DFO was selected as one of the first four federal departments to undergo Treasury Board's Expenditure Management Review Process (EMR), which is intended to ensure that all federal departmental policies and programs are reviewed on a five-year rolling basis.⁹ The DAAP and EMR are complementary and run concurrently. Both were to be completed by the end of 2003.¹⁰

As part of the 2000 Strategic Plan and Phase I of the 2002 Departmental Assessment, which led to the DAAP, the Coast Guard had already proceeded to an in-depth examination of its programs and activities. According to the Deputy Minister, this had started before the DAAP and EMR processes. The Deputy Minister stated that initial results were recognized in the February 2003 Budget, which, as a result, provided an additional annual investment of \$47.3 million over two years in the Coast Guard's fleet and shore-based infrastructure.

While awaiting the completion and conclusions of the DAAP and the EMR processes, DFO undertook a number of actions as a result of early discussions between the minister and the departmental management team. In June 2003, the DFO senior management team was reduced by 25% and the number of assistant deputy ministers was cut from eight to six. The Deputy Minister explained to the Committee that this change would "lead to greater policy and program coherence." He added that "obviously tight alignment between our policies and programs is critical and will help to enhance our services to Canadians."¹¹ A second organizational change took place at the end of June 2003, when, as recommended by the Auditor General, the regional directors of the Canadian Coast Guard were made directly accountable to the Commissioner. The regional directors had previously reported to the DFO regional directors general.

Representatives of the CAW expressed their concerns about the DAAP to the Committee. Although the process was intended to define the Coast Guard deficiencies and needs, they feared that it had turned into another "budget slashing exercise." It would seem from a comment of DFO's Deputy Minister that this fear might be justified:

⁹ In fact, the Treasury Board Secretariat Web site indicates that the ongoing Expenditure and Management Review of all non-statutory government programs will be performed over a three-year cycle.

¹⁰ As of January 21, 2004, there is no indication that these processes have been completed.

¹¹ Larry Murray, Committee *Evidence*, 12 June 2003.

Over the past number of weeks we have made considerable progress on the first objective. During this period I asked our senior management team to identify all short-term savings opportunities that would enable us to live within our budget while this broader review is completed. I asked them to do this in a way that attacked overhead and not the services we provide to Canadians.¹²

Whether related or not, it was reported in the media in January 2004 that DFO was planning to cut as many as 600 jobs across the country, as a consequence of a budget overrun of \$52 million. The Committee presumes that these cuts would affect DFO across the board, including the Coast Guard

In an open letter to DFO employees, the Deputy Minister stated that there was no plan to lay off 600 people. Mr. Murray promised that the department would do the “utmost to minimize impacts on DFO staff to the greatest extent possible” by not filling jobs left vacant through normal attrition and by hiring fewer term, casual, and student employees.¹³

In the Committee’s view, the Deputy Minister’s letter tends to confirm the CAW’s opinion of the the DAAP.

The Rescue, Safety and Environmental Response Program

The Rescue, Safety and Environmental Response (RSER) Program of the Canadian Coast Guard is an essential element of the strategy of the organization to carry out its mandate. This broad program includes search and rescue, boating safety, environmental response, and emergency preparedness.

The Coast Guard Search and Rescue team monitors for and rescues mariners in distress. It is also responsible for the coordination of the Coast Guard Auxiliary. Search and Rescue has a fleet that includes 40 small vessels and lifeboats, a number of inshore rescue boats, two air cushion vehicles and a few larger multi-tasked ships.

The Office of Boating Safety is intended to work in partnership with boaters to ensure safe boating. The office provides marine safety information and advice, and implements standards for boats and safety equipment such as personal flotation devices. It also cooperates with regional and national recreational boating advisory councils to improve boating safety.

¹² Ibid.

¹³ Larry Murray, Deputy Minister, Fisheries and Oceans Canada, *Clarification regarding recent media reports*, Ottawa, 22 January 2004, www.dfo-mpo.gc.ca/media/backgrou/2004/ma-am01a_e.htm.

The RSER program also keeps the marine environment safe by monitoring and cleaning spills. The Environmental Response team monitors and responds to marine oil spills and chemical emergencies, initiates and supports new spill response methods and technology, and develops and refines standards that improve Canada's preparedness and response regime.

Search and Rescue

Safety at sea is the Coast Guard's primary role, within which, search and rescue is a major component. The establishment of a search and rescue service was at the origin of the creation of a Coast Guard about 40 years ago. The service is now a component of the broader Coast Guard's Rescue, Safety and Environmental Response (RSER) Program. The Search and Rescue (SAR) team monitors for and rescues mariners in distress. These include the detection of maritime incidents and, with the assistance of the Department of National Defence, the co-ordination, control and conduct of SAR operations in marine SAR situations within Canadian areas of federal responsibility; the provision of marine resources to help with air SAR operations as necessary; and, when and where available, the provision of SAR resources to assist in humanitarian and civil incidents within provincial, territorial or municipal areas. The SAR team is also responsible for the coordination of the Coast Guard Auxiliary. Search and Rescue has a fleet that includes 40 small vessels and lifeboats, a number of inshore rescue boats, two air cushion vehicles and a few larger multi-tasked ships.

DFO measures the effectiveness of SAR operations as the percentage of life saved over the number of lives at risk or in distress situations. Since 1997, this percentage has been above 96%. However, according to witnesses, the reality is that, on the water, the achievement of this kind of result is increasingly difficult. The Committee was told that SAR capacity on the East Coast is limited to two large, and another part time, (1100 class) vessels. The Department is increasingly dependent on small, inshore, 4-man cutters. Although they have a 250-mile range, they do not have the capacity to take on the crew of an ocean-going tanker or cargo vessel. The 1100 class vessels were a good purchase originally. They are by now at least at mid-life. They are not being properly maintained and their current state is "deplorable."¹⁴ Mr. Michael Wing, President of the Union of Canadian Transportation Employees told the Committee that:

Over the past 14 months, two high-profile incidents have highlighted the fact that these cuts not only affected programs that would be considered secondary, but those that go to the very core of what the coast guard stands for: search and rescue. The latest incident happened at Anticosti Island, where a distress call was sent out, and no one was there to respond. Two men drowned as a result of the lack of patrolling vessels in this area. The other tragic incident was the sinking of the *Cap Rouge II* in British Columbia.

¹⁴ John Fox, Committee Evidence, 9 October 2003.

The cancellation of the dive team directly affected the ability of the coast guard to respond and react appropriately to the situation at hand.¹⁵

On the West Coast, delays in the procurements of a refurbished/new SAR hovercraft in 2002 have lead to a situation where the federal search and rescue program may not be able to fully meet its responsibilities in the shallow waters surrounding metropolitan Vancouver. The Vancouver International Airport depends on the Coast Guard to provide round-the-clock hovercraft search and rescue services on the tidal flats of the Fraser River estuary adjacent to the airport. In June 2003, the Deputy Minister, Mr. Larry Murray, told the Committee that the procurement process to acquire a second hovercraft as a temporary replacement was underway. Mr. Murray informed the Committee that the long-term procurement of a permanent replacement was also underway.¹⁶

The Canadian Coast Guard Auxiliary

The Canadian Coast Guard Auxiliary (CCGA) is made up of almost 5,000 volunteers in five regional associations,¹⁷ who donate their time and make their vessels available to provide assistance to the Canadian Coast Guard in two main areas of responsibility: Search and Rescue and the promotion of Safe Boating. The Auxiliary was established in 1978, originally as the Canadian Marine Rescue Auxiliary. It became the Canadian Coast Guard Auxiliary in November 1997.

The role of the Auxiliary volunteers in marine search and rescue is crucial. Each year, the CCGA assists in about 1700 SAR incidents¹⁸ (about 25% of all maritime SAR incidents in Canada) and saves approximately 200 lives across Canada.

The Auxiliary's other main priority is to minimize the loss of life and property at sea by preventing SAR incidents before they occur. CCGA volunteers conduct an average of 3,000 yearly courtesy checks on pleasure craft and attend over 500 boat shows and public events to inform the public on safe boating practices. The CCGA has also developed a safe boating course, approved by the Coast Guard, and is a certified provider of the Pleasure Craft Operator Card program.

Under a five-year Contribution Agreement signed in 2002 and in effect until 2007, DFO provides the CCGA with \$4.5 million per year, which provides:

¹⁵ Michael Wing, Committee *Evidence*, 9 October 2003.

¹⁶ Larry Murray, Committee *Evidence*, 12 June 2003.

¹⁷ Pacific, Central and Arctic, Quebec, Maritimes, and Newfoundland.

¹⁸ The CCGA was involved 2,120 taskings to SAR incidents in 2002.

- Funding for administrative, organizational and insurance costs of the five regional CCGA associations;
- Funding for reimbursement of out-of-pocket expenses incurred by Auxiliary members participating in authorized SAR activities; and
- Support by the Coast Guard personnel including training and basic SAR equipment.

In return the Auxiliary provides:

- Vessels to augment the capability of existing Coast Guard SAR vessels;
- Volunteers to assist and participate in SAR prevention activities; and
- Volunteers to participate in other marine related activities such as SAR training courses and small craft courtesy examinations.

The Committee was impressed not only by the presentation made by the Auxiliary, but also by the contribution it makes to the safety of our waters. The service that the Auxiliary provides to the Canadian public is invaluable, not just in the time and effort but also in terms of the intimate knowledge of its members of local waters and conditions, factors which contribute greatly to the success of SAR missions. In 2002, members of the CCGA contributed over 122,000 volunteer hours with a direct value of over \$4.5 million in wages.¹⁹

These numbers tell only part of the story. The Auxiliary in fact saves the Canadian taxpayer millions of dollars annually by providing an essential SAR service at a fraction of the cost that it would to provide full-time Coast Guard units. A recent study conducted by DFO Review Directorate concluded that for each dollar invested in the Canadian Coast Guard Auxiliary, the Department received over \$37 worth of services.²⁰ The calculation was based on what it would have cost the Coast Guard to have full-time crews and dedicated vessels in place of the Auxiliary.²¹

¹⁹ Personal communication, François Vézina, Manager, Canadian Coast Guard Auxiliary, National Office, 12 December 2003.

²⁰ Fisheries and Oceans Canada, Review Directorate, *Canadian Coast Guard Auxiliary Evaluation*, Project Number 60263, Ottawa, 31 March 2003.

²¹ The value of the private and community-owned vessels made available to the Canadian Coast Guard is over \$300 million.

According to Harry Strong, Chief Executive Officer, the Auxiliary is currently facing two significant challenges: an expansion of SAR coverage; and increases in its insurance premiums, both of which will increase its costs. Increased maritime activity is expected in northern and remote waters as a result of increased fishing, eco- and adventure-tourism, cruise ship travel, and commercial shipping. According to the Auxiliary, various assessments have indicated that the most cost effective way to provide SAR services in remote areas such as Nunavut is to train local populations on how to conduct SAR operations by implementing of Auxiliary units in these areas. However language, climate, geography, distance, and communications all present challenges, which will greatly add to the cost of establishing and operating auxiliary units in the north.

The Auxiliary provides basic insurance coverage that includes hull and machinery protection for vessels and indemnity and group accident for its members. Since September 11, 2001, the Auxiliary's insurance premiums have increased 75% from \$425,000 in 2001 to approximately \$745,000 in 2003. The Auxiliary has been forced to curtail other programs to cover this increase. The future cost of insurance is, however, expected to be stable.

The Committee recommends:

RECOMMENDATION 1

That the Government of Canada, through the Canadian Coast Guard, continue to support the Canadian Coast Guard Auxiliary; and

That, funding to the Auxiliary be increased, at a minimum, to meet the cost of higher insurance premiums.

Boating Safety

Recreational boating is the leisure activity of choice of a large number of Canadians, with many as 2.7 million boats and between 7 and 9 million boaters. In fact, recreational boaters are the largest client group that the Coast Guard serves. According to the Canadian Yachting Association, the recreational boating community has more vessels, a greater number of participants, and a larger economic impact than any other group.²²

In 2001, recreational boating generated approximately \$7.1 billion of GDP in Canada and created approximately 84,000 fulltime equivalent jobs. In excise taxes

²² Michael Vollmer, Vice President, Canadian Yachting Association, Brief to the Committee, November 2003.

on fuel and federal sales taxes alone it contributes more than \$100 million to government revenues.

Recreational boating can, however, be a potentially unsafe activity and, each year between 100 and 200 people lose their lives in boating related accidents across Canada. It is estimated that there are a further, 6000 unreported non-fatal incidents involving actual, or the risk of, serious personal injury and property loss. The Canadian Safe Boating Council has published a study²³ that suggests the cost of boating drowning deaths each year in Canada exceeds \$80 million.

The Office of Boating Safety provides essential prevention programs that help to reduce these incidents. For example, promotion of the use of personal flotation devices (PFD) and awareness of the effects of boating while under the influence of alcohol can lead to a significant decrease in fatality rates. One-third of boating fatalities are associated with alcohol, and studies have shown that approximately 90% of all drowning victims were not wearing a PFD. In the period between 1992 and 2002, the number of boating fatalities per 100,000 licensed boats has decreased by 58%.²⁴

The Competency of Operators of Pleasure Craft Regulations²⁵ were introduced in 1999 to require that the operators of powered pleasure craft meet proficiency standards. Operators of powered pleasure craft had until September 15, 2002 to demonstrate proof of competency.²⁶ The Coast Guard's Office of Boating Safety is responsible for overseeing the implementation of these regulations. According to the Auditor General,²⁷ however, it relies almost completely on third parties, such as the police, the Coast Guard Auxiliary, the private sector and non-governmental organizations to educate boaters and to ensure compliance.

The program has been plagued with problems. In some cases it has been difficult for operators to take the competency test and boaters have sometimes not been able to obtain the safe boating guide booklets before taking the test. In other

²³ Philip Groff and Jennifer Ghadiali, *Will it Float? Mandatory PFD Wear Legislation in Canada, A Background Research Paper*, prepared for the Canadian Safe Boating Council, Smartrisk, Toronto, 2003, p. 9.

²⁴ Fisheries and Oceans Canada, *Performance Report for the period ending March 31, 2003*, Ottawa, November 2003, p. 39.

²⁵ Made pursuant to section 562 of the *Canada Shipping Act* (R.S. 1985, c. S-9).

²⁶ Section 5 of the *Competency of Operators of Pleasure Craft Regulations* (SOR/99-53) contains the transitional provisions and reads: "Subsections 3(1) to (3) and section 4 apply (a) beginning on September 15, 1999, to a person born after April 1, 1983 who operates a pleasure craft; (b) beginning on September 15, 2002, to a person born before April 1, 1983 who operates a pleasure craft that is less than 4 m in length; and (c) beginning on September 15, 2009, to a person born before April 2, 1983 who operates a pleasure craft of any length."

²⁷ 2002 Report of the Auditor General of Canada, Chapter 2, p. 20.

cases it has been too easy for operators to obtain the competency card without demonstrating competency.

The Auditor General and others have pointed out that the Office of Boating Safety does not maintain records of who legally has a competency card and is therefore unable to determine how many boaters are certified or the extent of compliance with competency requirements.

In the view of the Committee, the issue comes down fundamentally to the fact that the Office of Boating Safety does not have adequate resources to implement this important program. The Canadian Yachting Association states that there is no A-base funding for the Office of Boating Safety, the key contact point for the boating community. According to the CYA, DFO, in response to requests urging support for essential Coast Guard services, will only assert that funding will be maintained at the previous year's level. According to the December 2002 Report of the Auditor General, base funding of the Office of Boating Safety was \$3 million but expenditures over the previous three years had ranged from \$7 million to \$10 million, with the difference covered by reallocation of funding from other DFO and Coast Guard budgets.

The Yachting Association also voiced its fears that the Coast Guard is currently contemplating the complete cessation of its accident prevention programs and that its vessel identification system, used in SAR and enforcement activities, is threatened with termination. Nevertheless, while the boating community feels it has been ignored at the Departmental level, it continues to have good relations with the Coast Guard and will continue to support its activities.

The Committee recommends:

RECOMMENDATION 2

That the Government of Canada, through the Canadian Coast Guard, guarantee stable, long-term A-base funding for the Office of Boating Safety at a level fully sufficient for it to meet its responsibilities.

Environmental Response

The Coast Guard has the mandate to monitor and respond to marine oil spills and chemical emergencies. It has the largest federal inventory of marine pollution control equipment in Canada. Marine pollution prevention involves several federal departments in addition to DFO: Transport Canada, Environment Canada, Justice Canada and National Defence. The partnership between Environment Canada, Transport Canada and the Canadian Coast Guard, was

formalized through a July 2002 Memorandum of Understanding (MOU) in Atlantic Canada, and will be expanded nationally in the coming year.²⁸ The partnership aims at combining efforts on surveillance and enforcement to increase prosecutions and minimize impacts of oil discharges. In recent years, the federal government has also entered into partnership with the private sector based on the principle of polluter responsibility which asserts that the industry must be accountable for taking adequate preventative actions and for ensuring that effective response plans are in place. The obligation of the federal government is to assure that the public interest is satisfied. The Committee believes that the federal government has failed.

The incident with the *Tecam Sea* illustrates precisely this failure and why there has to be a primary authority charged with the protection of the environment in Canadian waters.

On 8 September 2002, RADARSAT spotted a 116-kilometre oil slick, 70 kilometres south of St. Pierre.²⁹ The Canadian Coast Guard in St. John's once notified, responded with a surveillance airplane and confirmed that the only ship in the vicinity of the spill was the *Tecam Sea*, a Panamanian-owned, Bahamian-registered ship operated by a Greek company en route to Gibraltar from the Gulf of St. Lawrence.

²⁸ This Memorandum of Understanding (MOU) was signed by the Regional Directors General of Atlantic Canada for the three concerned departments between May and July 2002, roughly two months before the incident of the *Tecam Sea*. The MOU sets out the responsibilities (legislative and other) of each party, discuss issues of management, coordination and enforcement. It also includes an investigation protocol with a section on conflict resolution between the parties. Transport Canada is recognized as the lead department for ship source oil pollution matters. However it is also recognized that Environment Canada has an equivalent responsibility to conserve migratory bird population and prevent environmental damage where ship source oil pollution is concerned. Fisheries and Oceans Canada (Canadian Coast Guard) is the lead department for cleanup (and emergency) response to pollution incidents from vessels and marine mystery discharges and spills. Under the Coast Guard's leadership, Canada's national oil spill preparedness and response system brings together components of industry, the provinces, and other federal agencies to protect Canada's marine environment.

The three departments have legislative responsibilities for the *Canada Shipping Act* and regulations promulgated pursuant to the Act to enforce International Conventions to which Canada is a signatory, including the International Convention for the Prevention of Pollution from Ships (MARPOL 73/7.8), the *Fisheries Act*, the *Canadian Environmental Protection Act*, and the *Migratory Birds Convention Act*, 1994, which supports the Canada-United States Migratory Birds Convention Treaty of 1916. The department who has legislative responsibility should be consulted before action is taken by another department for the laying of charges, prosecution efforts and decisions. Given its responsibilities under the *Canada Shipping Act*, Transport Canada is recognized as the lead department for the investigation of all ship source oil pollution matters. However, investigations should be pursued on the specific facts of the case with a view to identifying all appropriate legislation under which charges may be laid. For example, all ship spills where there are no reports of affected wildlife or that occur outside areas frequented by migratory birds will be investigated by Transport Canada, while ship spills in areas frequented by migratory birds will trigger consideration of a joint investigation.

²⁹ The use of the Canadian Space Agency's cutting edge surveillance technology to detect oil discharges was part of a six-month trial period that led to the development of a three year national pilot project covering both west and east coasts beginning in 2003-04.

The *Tecam Sea* incident occurred only a few days following the beginning of a six-month project for the use of satellite technology for environmental monitoring, and a couple of months after the signature of a the MOU between DFO, Transport Canada and Environment Canada for cooperation to reduce illegal oil pollution in Atlantic Canadian waters.

Environment Canada officials took over and sought technical expertise from Transport Canada. Once reached, Transport Canada refused to get involved. In the meantime, Environment Canada arrested the *Tecam Sea* and charged the captain, chief engineer and the company with dumping oil into Canadian waters. Six charges were laid under the *Fisheries Act*, the *Migratory Birds Convention Act*, and the *Canadian Environmental Protection Act*, and two charges under the *Canada Shipping Act*. The charges under the *Migratory Birds Convention Act* had never been used in similar cases. The vessel, the captain and the chief engineer were released on bail.

Together with satellite imagery and Coast Guard surveillance, evidence of large discharge of oil through the oily water separator was found and the Chief Engineer could not account for nearly 15,000 litres of used oil. Nevertheless, in April 2003, the Department of Justice and Transport Canada dropped all charges in Newfoundland and Labrador Provincial court. Transport Canada declined to be involved in the prosecution based on legal advice. Justice Canada questioned whether Environment Canada had the authority to arrest the captain and direct the ship to port.

Commissioner Adams told the Committee that “in fact, the decision not to prosecute, obviously, is very much a recommendation from the Justice Department. The prosecutions are not the Coast Guard responsibility; they’re the responsibility of the Ministry of Transport in conjunction with the Ministry of the Environment.”³⁰ Commissioner Adams was hopeful that despite “challenging times”, the recently formalized MOU between the Coast Guard, Environment Canada, and Transport Canada would allow them “to work more closely together to adopt a common approach with respect to attempting to be more vigilant and more effective in our prosecutions.”³¹ Clearly, the interdepartmental agreement formalized in the MOU failed its first test.

It is still not clear to this date why the federal government dropped the charges against the *Tecam Sea*. The Committee views this as a shameful incident and points out that the MOU was signed at least two months earlier, to prevent this kind of bureaucratic turf war. The Committee also believes that it was incumbent on the federal government to explain publicly why dropping the charges was the

³⁰ John Adams, Commissioner of the Canadian Coast Guard, Fisheries and Oceans Canada, Committee Evidence, 25 September 2003.

³¹ Ibid.

appropriate course of action. Failure to account publicly for this decision suggests that Canada is not serious about protecting the marine environment.

Newfoundland and Labrador Environment Minister Robert Mercer appeared before the Committee on May 7 in St. John's at which time he discussed his concerns on the potential threat of oil spills and bilge dumping and the need for more prevention and preparedness. Minister Mercer had also written his federal counterpart, Environment Minister David Anderson, seeking answers to the federal justice department decision, which at the time of the hearing he had not received.

This incident and the response send out the wrong message: that Canadian waters can be polluted with impunity. What is needed is an organization that has the capacity both in technical and human resources to conduct the surveillance to detect environmental incidents, to collect evidence that will stand up in court and to interdict and arrest offenders when required. This means, most importantly, an organization that has the explicit authority and mandate to act. In the view of the Committee, this organization should be the Coast Guard. Since the Coast Guard will be Canada's eyes and ears on the water, it is clearly in the best position to detect incidents of this type. With a mandate for the security, safety and sovereignty of Canadian waters, logic dictates that the Coast Guard should be the organization to follow through up to the point where a case is turned over to the Crown for prosecution.

The Committee recommends:

RECOMMENDATION 3

That the Government of Canada establish the Canadian Coast Guard as the lead federal agency among the several federal departments involved in marine pollution prevention.

Nonetheless, Transport Canada has successfully prosecuted marine pollution offenders for discharging oily substances into Canadian waters. The *Canada Shipping Act* is the enabling statute for the prosecution of offences in terms of oil and oily mixtures discharges at sea. The *Oil Pollution Prevention Regulations* were issued under the previous version of the CSA (R.S. 1985) under the sections 656, 657, and 658. The new *Canada Shipping Act* (2001) and particularly Part 9 on Pollution Prevention — Department of Transport sets out the nature of the prosecutable offences and applicable punishment. A maximum fine of \$1 million has been set. The *Canadian Environmental Protection Act* (1999) also addresses the matter of waste disposal at sea, and section 35 of the *Migratory Birds Regulations* under the *Migratory Birds Convention Act* deals with deposition of oil, oil wastes or any other substance harmful to migratory birds in any waters or any area frequented by migratory birds.

In the Atlantic Region, marine polluters were prosecuted for ten pollution incidents with fines totalling \$437,500 between January 2002 and June 2003. Charges were laid under the *Canada Shipping Act* (CSA) for violation of unlawfully discharging an oily substance into Canadian waters. These incidents range from small quantities spilled from vessels while at berth to incidents in open water with quantities up to approximately 4,300 litres. In this latter case the owner was required to cover the \$80,000 expended by the Canadian Coast Guard for the cleanup for the approximately 4,300 litres of discharged pollutant under the polluter pays provisions of the *Canada Shipping Act*. The largest fines in Canada issued to marine polluters have been \$125,000 (CSL *Atlas*³² and MV *Baltic Confidence*³³).

Until February of 2002, when the Philippine-owned *Baltic Confidence* was fined \$125 000 for dumping bilge off the Nova Scotia coast in 1999, the largest fine ever levied by a Canadian court for offshore pollution was \$40,000. And the average was \$10,000 or less. In the United States and Europe, fines of \$1 million or more have already been imposed, making Canada seem like a comparatively safe place to pollute. Although the *Canada Shipping Act* (2001) provides for fines up to \$1 million and potential jail terms, ships continue to discharge their oily waste. Moreover, the new Act has yet to come into force because of the lengthy review of all the related regulations, now in its third year.³⁴ Currently, there are no minimum fines and maximum fines under the old *Canada Shipping Act* (R.S. 1985) are set at \$250,000.

³² As part of the judgement, a portion of the fine will be directed to the Government of Canada's Environmental Damages Fund (EDF). Funds collected through the EDF support research and other activities that attempt to lessen the impact of marine pollution in the area in which it occurred. On March 6, 2002, Transport Canada initiated an investigation after the M/V CSL Atlas was sighted, on route from Point Tupper, Nova Scotia to Brunswick, Georgia, by a Department of Fisheries and Oceans surveillance flight in the act of illegally discharging an oily substance approximately 80 nautical miles south of Halifax in an area that is known to be frequented by sensitive marine wildlife.

³³ On December 22, 1999, Transport Canada initiated an investigation after the M/V Baltic Confidence was sighted by both a Canadian Coast Guard (CCG) helicopter and a private aircraft, illegally discharging an oily substance in Canadian waters approximately 85 nautical miles south-west of Halifax. This area is known to be heavily populated by seabirds during this time of the year. The vessel was observed and photographed trailing an oily slick of more than 20 nautical miles. The Coast Guard helicopter crew recorded the incident and reported it to Transport Canada. The vessel, en route to Tampa, Florida, was boarded at the request of Transport Canada by U.S. Coast Guard inspectors upon its arrival on December 30, 1999. Relevant evidence, including the pollution control documents, was obtained and forwarded to Transport Canada to assist in its investigation.

³⁴ The *Canada Shipping Act* (CSA) is the principal legislation governing the activities of Canadian ships and foreign ships in Canadian waters. CSA is currently one of the oldest Acts in Canada and is attended by more than 100 regulations. The new Act is a streamlined and modernized version of the old one and will come into force when the regulations attached to the old Act have undergone a similar change. Responsibility for this process is shared between Transport Canada, Marine Safety and the Department of Fisheries and Oceans, Canadian Coast Guard. The implementation of the regulatory reform will proceed through two phases.

The Committee recommends:

RECOMMENDATION 4

That the Canadian Coast Guard be given all the necessary resources and powers to conduct surveillance and collect evidence necessary for the effective prosecution of contraventions of Canadian marine anti-pollution laws in order to deter would-be polluters.

The Committee further recommends:

RECOMMENDATION 5

That the Attorney General of Canada instruct federal prosecutors involved in marine pollution cases to bring to the attention of the court, prior to sentencing, the total cost to the Canadian taxpayer of investigating and prosecuting the offence.

The Committee also recommends:

RECOMMENDATION 6

That, as a matter of priority, the Governor in Council expedite the regulatory reform under the new *Canada Shipping Act, 2001* in order that it come into force as soon as possible.

DFO confirms in its last two departmental performance reports³⁵ that “between 74% and 88% of observed oil spill incidents cannot be attributed to a specific source and are considered mystery spills.” DFO documentation claims that the Coast Guard maintains a considerable preparedness capacity. However, representatives from the unions informed the Committee that RSER groups have been whittled down to practically nothing, and that the Coast Guard does not have the resources to adequately investigate and pursue or take care of these issues.³⁶

The effects of “mystery spills” on Canadian wildlife are tragic. According to Minister Robert Mercer before the Committee:

³⁵ Fisheries and Oceans Canada, *Performance Report for the Period Ending March 31, 2002*, Ottawa, November 2002, p.37; and, Fisheries and Oceans Canada, *Performance Report for the Period Ending March 31, 2003*, Ottawa, November 2003, p. 30

³⁶ John Fox, President, Union of Canadian Transportation Employees, Committee *Evidence*, 9 October 2003.

Our coasts are highly vulnerable to oil pollution. Ongoing losses of seabirds to oil in the waters off our coast have been documented since 1984. It is estimated that each year off our south coast alone, we lose some 100,000-plus seabirds to oil in the sea. That's 100,000-plus seabirds. That's roughly comparable to the loss of seabirds as a result of the Exxon Valdez spill some years ago.

In fact, scientific studies suggest that more than 300,000 birds die each year as a result of ships deliberately dumping a mix of water and oil waste from their engine-room bilge.³⁷ More conservative estimates indicated that a minimum of 60,000 to 100,000 seabirds is killed off the southeastern coast of Newfoundland during each winter season.³⁸ The Grand Banks of Newfoundland is the most important wintering ground for seabirds in the North Atlantic.

According to Environment Canada, Atlantic Region, increased surveillance, effective enforcement and higher fines should solve this chronic problem. Aerial pollution surveillance in Canada's exclusive economic zone off the Atlantic coast — which covers an immense area — averages about 400 hours per year, compared to 14,000 hours in Australia, and nearly 2,000 hours in California.³⁹

Emergency Preparedness

The Canadian Coast Guard's goal of maintaining maritime safety includes emergency preparedness in the marine and the freshwater environments as one of its roles and responsibilities. This would include the possibility of a disaster at an airport on or near the water, such as Vancouver International Airport. This Coast Guard responsibility implies the existence of a response plan, measure, procedure or arrangement for dealing with an emergency. This plan ought to be subject to ongoing revision and updating, must incorporate measures including the positioning of response equipment, its maintenance and testing, and provisions for environmental effects monitoring. An evaluation of the effectiveness of the response must also be done regularly.

The southern Gulf of St. Lawrence, the coast of Nova Scotia and the southern coast of Newfoundland, in addition to being productive fishing areas, have experienced increased maritime traffic in part because of the development of the offshore oil and gas production. Thus, the Committee understands the

³⁷ Francis K. Wiese, *Ph.D. Thesis*, Memorial University of Newfoundland, 2002, p. 239, cited in Environment Canada, Atlantic Region, *The Impact of Oil at Sea on Seabirds in Atlantic Canada*, Internet site, www.ns.ec.gc.ca/boas/impact_e.html, 18 November 2003.

³⁸ Fisheries and Oceans Canada, Newfoundland Region, *Prevention of Oiled Wildlife Steering Committee Report "The Solution"*, News Release NR-N-02-25, St. John's, 17 September 2002. The numbers identified in the Prevention of Oiled Wildlife (POW) Project, Phase I report are believed to be conservative due to limitations in the existing data at the time of the report.

³⁹ Environment Canada, Atlantic Region, *Birds Oiled at Sea*, Internet site, www.ns.ec.gc.ca/boas/index_e.html, 18 November 2003.

concerns expressed by many over the risk of a major environmental disaster such as the wreck of the *Prestige* along the coasts of Galicia in November 2002. In spite of various prevention measures in place, there is still a very high risk of a major oil spill on all our coasts.

According to former Newfoundland and Labrador Environment Minister, Robert Mercer, the province is not comfortable with the state of preparedness to respond to a major oil spill off the coast of the province.⁴⁰ The terms of reference of the emergency preparedness plan do not include consideration of requirements to address the risks identified. A mere 15% of the Coast Guard's national emergency response program resources are located in Newfoundland-and-Labrador. Minister Mercer judged this level unacceptably low, considering the level of risk. Moreover, the present emergency preparedness regime in Canada has been in place for more than 10 years and may no longer be fully appropriate. Immediate and effective responses and management in anticipation of a disaster have to rely on sound and practical protocols to be in place between the provincial and federal governments. The Committee agrees with Minister Mercer that there is a need to have a review and an update of our emergency preparedness to marine environmental disaster.

Commissioner Adams tried to re-assure the Committee. Although concerns with respect to a catastrophic problem on our coasts are understandable, the Coast Guard is committed to a proper assessment of the risks, particularly on the south coast of Newfoundland, mostly because of the amount of oil moving in Placentia Bay from the platforms.⁴¹ The Committee, however, is not re-assured.

Marine Navigation Services

Marine Services Fees and Icebreaking

Cost recovery for the Coast Guard services in the form of Marine Services Fees and Icebreaking Services Fees has been a long-standing irritant for Canada's commercial shipping industry, which believes that the fees undermine its competitive position.

Marine Services Fees (MSF) were introduced on June 1, 1996 as the Coast Guard's response to a 1994 decision of the federal government to make cost recovery a priority for departments and government agencies. As the *Oceans Act*,⁴² which provides the legislative authority for the MSF, did not come into force

⁴⁰ Robert Mercer, Minister of the Environment, Newfoundland and Labrador, *Committee Evidence*, 7 May 2003.

⁴¹ John Adams, *Committee Evidence*, 25 September 2003.

⁴² Section 47 of the *Oceans Act* gives the Minister the authority to fix fees for the provision of services under the Act.

until January 31, 1997, the MSF were initially implemented under the *Financial Administration Act*.⁴³

The Coast Guard planned to apply the MSF initially to aids to navigation, which represented \$98 million of its total cost⁴⁴ (estimated at \$181 million for 1995-96) of providing services to commercial shipping. Services covered included short-range aids to navigation (SRAN), long-range aids to navigation (LRAN), vessel traffic services (VTS). The fee was to be extended to include icebreaking services to commercial shipping, which accounted for the remaining \$83 million, in time for the 1996-97 season. The original target for cost recovery was \$60 million or a third of the total cost of services attributed to commercial shipping. This target for the MSF⁴⁵ was to have been phased in over four years.⁴⁶

When the plan to introduce the Marine Services Fees was announced in January 1996, the commercial shipping industry and other sectors dependent on commercial shipping balked. They brought their concerns before with the Standing Committee on Fisheries and Oceans. In April 1996, the Committee delivered a brief report⁴⁷ to the Minister of Fisheries and Oceans in which it recommended, among other things, that the Coast Guard be authorized to recover \$20 million in the 1996-97 fiscal year through fees for aids to navigation and that a thorough, independent study on the cumulative impact of marine-related fees and initiatives on the commercial shipping industry and dependent industries and regions be conducted and assessed before the introduction of icebreaking fees or any increases to the fees for aids to navigation.

The Coast Guard agreed to conduct a study and, with Transport Canada, commissioned a study to look at the economic impact of marine services fees and other marine initiatives.⁴⁸ That study concluded that the impact of the fees would be modest, based on a cost recovery level of \$40 million for aids to navigation and icebreaking services for the 1997-98 and 1998-99 seasons. The total cost of all the

⁴³ The Marine Services Fees were actually introduced June 1, 1996. The *Oceans Act* was intended to provide the legislative authority for the Marine Services Fees; however, the Act, however, did not come into force until January 31, 1997. The fees for aids to navigation were initially introduced under the *Financial Administration Act*.

⁴⁴ The total cost of services subject to cost recovery by the marine services fee was estimated at \$394.2 million, of which \$180.6 million was allocated exclusively to commercial shipping.

⁴⁵ The use of the term "Marine Services Fees" is somewhat ambiguous. Initially it appears that it was intended to cover aids to navigation and icebreaking. Currently, Marine Services Fees for aids to navigation and vessel traffic services and Icebreaking Services Fees are listed separately.

⁴⁶ Target revenues would have been \$20 million in 1996-97, \$40 million in 1997-98 and 1998-99, and \$60 million in 1999 and 2000 and thereafter.

⁴⁷ Joe McGuire, Chair, House of Commons Standing Committee on Fisheries and Oceans, April 22, 1996.

⁴⁸ The other initiatives included: reform of the port system, the commercialization of the St. Lawrence Seaway, pilotage reform, withdrawal of the Coast Guard from dredging harbours and channels, and the creation of private-sector oil spill response organizations.

initiatives was estimated at \$75 million, less than 0.1% of the approximately \$100 billion value of commodities shipped. The study was, however, criticized by the shipping industry, which complained that the methodologies employed were flawed.

In May 1998, the then Minister of Fisheries and Oceans, David Anderson, announced that:

- The federal government would place a three-year cap on fees for marine services provided by the Canadian Coast Guard.
- Starting in the 1998-99 season, the government would implement a fee for icebreaking services to commercial shipping. The fee was intended to recover \$13.3 million out of a total annual cost of \$76 million.⁴⁹
- Partly in response to the criticism by the industry of the Coast Guard-Transport Canada study, Treasury Board Secretariat would undertake a new cumulative economic impact study with the appropriate departments within the next three years, to assess the impact of government cost recovery initiatives on the commercial shipping sector.

In the fall of 1998, representatives of the commercial shipping industry again appeared before the Standing Committee on Fisheries and Oceans this time to make the case that the Icebreaking Fee had the potential to negatively affect the competitiveness of the Canadian shipping industry with respect to U.S. carriers and other modes of transportation. The Committee endorsed a compromise put forward by the Great Lakes-St. Lawrence Industrial and Maritime Coalition that the Icebreaking Fee be set at 50% of the Coast Guard's proposal to be implemented 21 December 1998 for a period of one year in order to provide time for the industry and the Coast Guard to work together to find a more acceptable long-term solution.

Then-Minister of Fisheries and Oceans, David Anderson, accepted the Committee's recommendation and, on 4 December 1998, the Department announced an Icebreaking Services Fee revised to 50% of the original proposal, beginning 21 December 1998. The fee would remain capped for three years; the impact of the Icebreaking Services Fee would be reviewed between the third and the fourth year; and, in the meantime, the Coast Guard would work with the industry to address costs and service delivery issues.

⁴⁹ Compared to a cost of \$83 million attributed to icebreaking services to commercial shipping in the original plan.

During the Committee's review of the *Oceans Act*, in the spring of 2000, the St. Lawrence Economic Development Council (SODES) and the Chamber of Maritime Commerce (CMC) appeared before the Committee to bring forward their continuing concerns over fees for the Coast Guard services. In response, the Committee recommended that:

Coast Guard not make any revisions to the Marine Services Fee or Icebreaking Fees until the Treasury Board study has been completed and until such time as all interested parties have had a reasonable opportunity to evaluate the study.⁵⁰

The report on the first phase of the Treasury Board Study⁵¹ was released in March 2002. The study had originally been designed to follow a two-phased approach. Phase 1 was to provide an overview of the commercial marine transportation industry and a review of methodologies to measure cumulative impact. Phase 2 was to undertake methodologies identified as effective in Phase 1. Following the completion of Phase 1, however, the decision was made not to pursue Phase 2, mainly due "to a lack of critical source data."

During the Committee's current study, the National Marine and Industrial Coalition, representing marine associations, labour groups and industrial associations across the country, appeared before the Committee to voice its opposition to Marine Services Fees. The Coalition noted that the Canadian shipping industry operates on "razor thin" margins, where even small costs have impacts, reducing competitiveness of the Canadian industry and placing the Canadian industry at a disadvantage with the U.S., which does not charge for the Coast Guard services.

According to the Coalition, the Coast Guard fees have been responsible for the displacement of Canadian producers of bulk goods in favour of producers in other countries, the diversion of goods to other modes of transport, such as rail, and diversion of goods to other routes, particularly steel via the U.S. East Coast and the Mississippi River.

The Coalition stated that the Treasury Board and previous studies have failed to accurately measure the impact of federal fees, estimated at more than

⁵⁰ House of Commons, Standing Committee on Fisheries and Oceans, *Report on the Oceans Act*, October 2001, Recommendation 13, p. 21.

⁵¹ Consulting and Audit Canada, *Cumulative Impact of Federal Fees on the Commercial Marine Transportation Industry in Canada: Synthesis of Background Information*, March 2002.

\$450 million per year^{52, 53}. The Treasury Board study, however, calculated the total amount of federal fees collected from commercial marine transportation industries at \$66 million a year⁵⁴ (for the year 2000) in Canada. Total federal fees in the U.S. for the same year were \$1,400 million (in Canadian dollars). While it is true that the U.S. does not charge marine navigation services fees or icebreaking fees, there are other fees levied in the U.S. for, for example the Harbour Maintenance Fee, which has no parallel in Canada.⁵⁵

According to the Coalition, the annual costs of the Coast Guard's marine services allocated to industry have fallen by \$54 million annually (about 1/3) since 1996-97; however, there has been no corresponding reduction in fees.

In 1995-96, the Coast Guard estimated the full cost of services to commercial shipping at \$180.6 million, comprising \$97.8 million for aids to navigation (including Vessel Traffic Services) and \$ 82.8 million for icebreaking.⁵⁶ DFO has estimated the costs of providing these services to commercial shipping for 2002-03 at \$97.5 million (\$53.6 million for aids to navigation and traffic services and \$43.9 million for icebreaking), a reduction of 46% since 1995-96.

The Coalition also noted that the Coast Guard collects only \$35 million of its current annual revenue target of \$45 million.⁵⁷ Thus, while fees have not

⁵² Regional Marine Advisory Boards and the National Marine and Industrial Coalition, *Marine Transportation — Keeping Canadian Industry Competitive*, August 2002, p. 12. Estimated at \$481 million for 2000-01.

⁵³ Pilotage fees, for example, are in a somewhat different class from the Coast Guard fees. The Pilotage Authorities are federal crown corporations established under the *Pilotage Act*, which provides that tariffs be fair and consistent and sufficient to permit the Authorities to operate on a self-sustaining financial basis.

⁵⁴ The reason for the difference between the Treasury Board figure of \$66 million and the National Marine and Industrial Coalition value of \$450 million is that the former includes only fees charges by federal agencies while the latter also includes fees charges by Canadian Port Authorities, Canadian Pilotage Authorities, the St. Lawrence Seaway Corporation, and Response Organizations.

⁵⁵ The U.S. does not charge fees for the Coast Guard Services but it does charge other marine-related fees. For example, the United States levies a fee called the Harbour Maintenance Tax (HMT) on commercial shipping using U.S. ports. The HMT is a federal tax imposed on shippers based on the value of the goods being shipped through ports. The tax is placed in a trust fund to be used for maintenance dredging of federal navigational channels. In March 1998, the U.S. Supreme Court declared the export part of the HMT unconstitutional. The tax is still in place and there are proposals to eliminate or replace it. The tax and its potential successor are deeply unpopular with the marine transportation sector. Commercial shippers using the Mississippi River and other waterways also pay a tax on diesel fuel that is paid into the Inland Waterways Trust Fund. The Trust Fund is used to finance the operation and maintenance of inland waterways under a cost-sharing agreement with the U.S. federal government.

⁵⁶ Canadian Coast Guard, *Marine Services Fee Proposal for Aids to Navigation*, Department of Fisheries and Oceans, March 1996, p. 2.

⁵⁷ DFO planned revenues for 2002-03 for Marine Service Fees, Maintenance Dredging in the St. Lawrence Ship Channel and Icebreaking Fees were \$43.0 million. Actual revenues were \$35.8 million. Fisheries and Oceans Canada, *Performance Report for the period ending March 31, 2003*, Ottawa, November 2003, p. 93.

decreased along with the Coast Guard's falling costs, both revenues collected and the revenue target fall short of the original target of \$60 million.

In the view of the Coalition, the fee issue has diverted efforts from building a stronger partnership between the Coast Guard and the industry. For example, the Marine Advisory Board,⁵⁸ which has not met since 19 October 2002 is not functioning as an effective consultative and advisory tool.

The shipping industry's position, set out in the Coalition's policy statement is that the contribution of the marine sector to economic prosperity, growth and trade should be recognized; that the marine sector should be supported to compete domestically and internationally; that marine transportation should be encouraged because it is safe and environmentally friendly; that the industry should be provided with long-term stability and predictability in order to compete; that government and shipping industry should work co-operatively to reduce costs; and that efforts should be concentrated on improving the Coast Guard's cost effectiveness and service delivery.

The National Marine and Industrial Coalition recommended the elimination of all the Coast Guard marine services fees as soon as possible as part of a long-term agreement whereby the marine industry would partner with the Coast Guard to improve efficiency and reduce costs.

To this end, the shipping Industry has made two proposals to the Coast Guard and ministers of Fisheries and Oceans (February 16, 2001 and August 26, 2002) to establish a long-term agreement to eliminate fees as soon as possible, and to work together to optimize services and adjust cost structures. As of 7 October 2003 neither the Coast Guard nor DFO had responded. The Committee views this lack of response as unacceptable.

The Coalition also noted that the *Canada Marine Act Review Panel*⁵⁹ recommended elimination of the Coast Guard fees, agreeing with the Regional Marine Advisory Boards and the National Marine and Industrial Coalition. The Panel also recommended that the Government of Canada continue to be responsible and pay for dredging in public waters up to the boundaries of Canadian Port Authorities and public ports, which is currently not the case.

⁵⁸ The Marine Advisory Board comprises key marine stakeholders, representing all regions of the country. The Commissioner of the Coast Guard chairs the Board, which is supposed to meet regularly to review issues of mutual interest to the industry and the Coast Guard.

⁵⁹ The Canada Marine Act Review Panel, *The Canada Marine Act — Beyond Tomorrow: Report of the Review Panel to the Minister of Transport*, Transport Canada, 2003. The recommendations referenced by the witnesses are actually recorded as "observations" as the Marine Services Fees are imposed under the *Oceans Act* rather than the *Canada Marine Act* (CMA). The panel was under the opinion, however, that the issue also fell under the ambit of section 4(a) of the CMA.

The Committee recommends:

RECOMMENDATION 7

That, if the Coast Guard and DFO have not already responded to the proposals of the shipping industry to establish a long-term agreement to eliminate fees as soon as possible, and to work together to optimize services and adjust cost structures, they have the courtesy to do so not more than 60 days from the tabling of this report; and

That this committee review the proposals and the response from DFO and the Coast Guard.

Aids to Navigation: Lightstations

Lightstations are operated by the Aids to Navigation Program of the Coast Guard. This program is part of the Marine Navigation Services branch. The objectives of the program are to manage, maintain, and provide aids to navigation in Canadian waters in order to facilitate safe and expeditious movement of maritime traffic to protect the marine and freshwater environment, maintain maritime safety and to facilitate maritime commerce and ocean development. Aids to navigation include fixed aids such as lighthouses,⁶⁰ beacons and lights, and floating aids such as buoys.

Canada has approximately 580 surviving lighthouses on its marine coasts and in the Great Lakes (see Table 1). Many other countries, including the United States, the United Kingdom, Ireland and Australia, have completely or almost completely de-staffed their lighthouses. In the 1970s, the Coast Guard began a program to automate, de-staff and remotely operate its lighthouses.

⁶⁰ A lighthouse is defined as an enclosed structure with an enclosed lantern displaying a light for the purposes of marine navigation while the lightstation is the group of structures comprising the lighthouse, fog signal building, keepers' dwellings and associated structures.

Table 1: Number of Lightstations/Lighthouses per Province

	Total	Staffed Number	Percentage
Newfoundland and Labrador	72	24	33%
Nova Scotia	160		
Prince Edward Island	56		
New Brunswick	78	1	1.3%
Quebec	59		
Ontario	104		
Manitoba	2		
British Columbia	52	27	52%
Canada	583	52	8.9%

In 1998, however, in the face of widespread opposition, particularly in British Columbia, the government reversed its decision to de-staff lightstations. Instead, the government agreed to maintain staff at 52 lightstations for a five-year period, ending in 2003. Twenty-seven of the remaining staffed lightstations are in British Columbia, 24 are in Newfoundland and Labrador, and one is in New Brunswick (see Table).

In December 1998, Treasury Board approved \$47.6 million in operating funds and \$24.5 million in capital funds over five years to continue staffing lightstations in the Pacific and Newfoundland-and-Labrador regions.⁶¹ A further \$12.9 million per year was approved for the years after 2002-03. Treasury Board required the Department of Fisheries and Oceans to review the decision to maintain staffing at the lightstations after five years. The Coast Guard is currently reviewing the future of lightstations and will outline options and estimated costs in a report that was to be concluded in December 2003. So far, the report has not been released.

In its December 2002 report, the Office of the Auditor General (OAG), under the heading "Activities undertaken that do not support safety and efficiency," noted that 50 of the remaining lightstations were staffed mainly for heritage reasons and the other remaining lightstation, in the Maritimes region, was staffed for reasons of sovereignty.

The OAG questioned the role of lightkeepers given the largely automated state of the existing staffed lightstations, saying that it is now accepted that staffed lightstations are not necessary for maritime safety and navigational efficiency. The OAG questioned how the lightkeepers could play an effective role in supporting heritage objectives given the remoteness of many of the staffed lightstations and

⁶¹ 2002 Report of the Auditor General of Canada, Chapter 2, p. 19.

commented that it was unclear how staffed lightstations served a heritage purpose.

The OAG found that the Department was not tracking or monitoring the costs of maintaining and operating staffed lightstations and without this information would neither know whether it had appropriate funding nor be in a position to meet Treasury Board's requirements.

Senator Pat Carney appeared before the Committee to make the case for maintaining staffed lightstations. The Senator noted that lightstations are staffed, usually with a principal lightkeeper and an assistant, who supply weather and other information for a minimum of 20 hours a day, seven days a week. The potential loss of local weather reports to mariners and aviators is a major concern in the province.

The Senator explained that a singular feature of these lightstations is their geographical isolation from coastal communities and transportation links. Of the 27 lightstations on the B.C. coast, only 3 have road access, 2 of those by poorly maintained logging roads. The remaining 24 are accessible only by helicopter and ship. Many of Newfoundland and Labrador's lightstations have a similar lack of road access. The Senator insisted that no other country has Canada's "isolated, storm-battered coastline," where often only the lightkeepers are available to answer calls of distress.

Senator Carney noted that staffed lightstations supply five essential services including:

- Aids to navigation;
- Marine and local air traffic weather;
- Assistance to the public;
- Maintenance of automated systems; and
- Services to other government agencies.

The Senator argued that area-specific weather reports are essential for mariners and pilots. Other activities could include tracking the position of fishing fleets, monitoring and reporting unusual marine activity to the RCMP, relaying distress calls, assisting the public, and conducting environmental measurements. Many stations, for example, are on the Pacific flyway and could be used more extensively to track migratory birds.

With respect to DFO's difficulties in determining the cost of staffing lightstations, the Senator agreed saying, "it is not easy to identify staff costs beyond the relatively low salaries and support costs. Presumably the Coast Guard will still need its ships and helicopters to maintain aids to navigation that keep channels marked and the beacons and buoys in operating condition."

The Senator acknowledged that, with increasing use of electronics in large ships and GPS in smaller boats, the traditional role of lightstations as aids to navigation was diminishing. In her view, the Coast Guard's mandate should be expanded to take account of its changing clientele. For example, some lightstations could be multitasked to encompass the services they already supply "without cost recovery from the government or the public," and because of their frequent strategic location, their role should also be expanded to include defence and security activities. Not all lightstations, however, would be suitable for multitasking and some may be decommissioned and released for other public uses. This is the rationale for Bill S-5,⁶² an Act to protect heritage lighthouses.

Senator Carney insisted that staffed lightstations on the mid-B.C. coast be retained to provide navigation aid services to the marine and aviation communities until acceptable automated devices could replace people. "Whether Coast Guard does this as a part of a department or a standalone agency is less important than it be done."

According to Senator Carney, the Coast Guard needs to adapt to changing requirements of the coastal communities it serves if it is to continue to be relevant.

The Committee believes that a case has been made for maintaining staffed lightstations.

The Committee therefore recommends:

RECOMMENDATION 8

That, prior to any decision to de-staff lightstations, affected communities and stakeholders be consulted and that any subsequent recommendations be referred to an appropriate parliamentary committee for review.

⁶² Bill S-5, An Act to protect heritage lighthouses.

Navigable Waters Protection Program

The Navigable Waters Protection Program is designed to ensure the protection of the public right to navigation and the protection of the environment through the administration of *the Navigable Waters Protection Act* (NWPA). However, according to the Auditor General these efforts have been seriously hampered by outdated legislation. The NWPA was originally intended to protect marine navigation routes by controlling the logging industry and the construction of bridges, dams, and other obstructions. According to the OAG, the Act has become a way for the general public, municipalities, environmentalists, and boaters to resolve conflicts with other waterway users. However, most of these conflicts are not about navigation. For example, the Act has frequently been used in the approval of aquaculture sites and it cannot deal with the rapidly expanding industry that is increasingly competing with traditional waterway users. The OAG reported in 2002 that DFO first identified the need to amend the *Navigable Waters Protection Act* in its 1997-98 *Report on Plans and Priorities*. The Department indicated it was aware of the problems created by the Act and had begun a policy review of the legislation.⁶³ However, renewal of the *Navigable Waters Protection Act* is not addressed in the Regulatory Initiatives section of the most recent departmental performance report (for fiscal year 2002-03). The Committee did not hear evidence on this issue and therefore makes no recommendation, but notes with dismay that nothing seems to be happening.

Marine Communications and Traffic Services

On 18 October 2001, following a meeting with spokespersons of unions representing Marine Communications and Traffic Services (MCTS) officers, the Committee decided to travel to the West Coast to visit MCTS centres and to get first hand information from front-line MCTS officers on the state of affairs at MCTS Pacific. The Committee visited the Coast Guard regional headquarters in Vancouver and MCTS centres in Victoria, Tofino, and Prince Rupert. On its return, the Committee communicated its concerns by letter to the Minister of Fisheries and Oceans, the Minister of Defence, and the Prime Minister. It also resolved to complete its study of MCTS by visiting sites on Canada's East Coast. This it did in the spring of 2002. The Committee's findings and recommendations were detailed in a report on MCTS, tabled in February 2003.⁶⁴ The government's response was issued in June 2003.

The Committee found that problems within the Canadian Coast Guard MCTS were weakening the Services' capacity to fulfill its mandate of ensuring the safe movement of marine traffic through Canadian waters. Problems included

⁶³ 2002 Report of the Auditor General of Canada, Chapter 2.

⁶⁴ House of Commons, Standing Committee on Fisheries and Oceans, *Canadian Coast Guard Marine Communications and Traffic Services*, Report, Ottawa, February 2003.

short staffing, overworked MCTS officers, lack of access to training, old and unreliable equipment, neglect of international commitments, uncertainty, apprehension and frustration among staff, reduced levels of service, and potential compromising of the security of our borders. All these problems could be traced to a lack of adequate funding and human resources. Consequently, the Committee recommended an immediate increase in funding for MCTS and that action be taken to bring staffing up to acceptable levels.

Thus, the Committee recommended that the Coast Guard MCTS Pacific Region receive an immediate increase in funding of at least \$2 million in the 2003-04 federal budget specifically targeted to:

- Restoring appropriate staffing levels;
- Providing required training;
- Replacing outdated, unreliable equipment; and
- Ensuring the scheduled preventative maintenance of equipment.

The Committee also noted that MCTS budgets for the other four regions should receive similar consideration.

DFO's Report on Plans and Priorities for 2003-04 did not reflect an increased funding for MCTS, whose budget was to remain at the same level for the next three years at \$70.4 million annually.⁶⁵ This situation is understandable given the timing of the release of the Committee's report, but the government did not ask for increased funding for MCTS in subsequent Supplementary Estimates. In fact, in its response to the Committee's report in June 2003, the federal government did not agree that an increase in funding should be provided to the Coast Guard regions. The government added that the 2003 federal budget allocation of \$47.3 million per year for two years to the Coast Guard for major repairs to the Coast Guard fleet and shore-based infrastructure and for capital replacement purchases for that infrastructure would greatly benefit MCTS. It should be noted that this allocation already appeared in the RPP in adjustments to the Main Estimates, but was only authorized by the September 2003 Supplementary Estimates with a reduced amount of \$42.3 million. That said, DFO's business case for the use of this new money targets fleet recapitalization, which includes a series of major vessel refit/life extension projects and a new vessel construction project.⁶⁶ It does not include new

⁶⁵ The Main Estimates 2004-05 proposed an increase of the MCTS budget to \$88.4 million, mostly due to a \$15-million increase in capital expenditures, presumably for AIS implementation.

⁶⁶ Fisheries and Oceans Canada, *Performance Report for the period ending March 31, 2003*, Ottawa, November 2003, p. 66.

resource allocations for MCTS. Given this, the Committee does not see how the government could believe that the new budget allocation of \$47.3 million per year for two years would greatly benefit MCTS.

In addition, in its response to our report, DFO expressed the belief that the MCTS Strategic Review and the Life Cycle Materiel Management (LCMM) initiatives of the Coast Guard, already underway, would address most of the findings and recommendations of the Committee's report with regard to resource allocations and human resources. These two initiatives were launched because of the identified need for review and modernization of MCTS as one of the Coast Guard's prominent programs. Phase II of the MCTS Strategic Review Project started in February 2003 with the following guiding principles:

- Marine safety will not be compromised;
- There will be no reduction in level of service; and
- The MCTS program will remain a priority.

Union representatives appeared before the Committee again in the fall of 2003 to comment on the government's response to the Committee's "MCTS Report", and update the Committee on the situation at MCTS centres. In the CAW's view, MCTS centres are still badly understaffed. As a result of the government rejecting the recommendation to bring staffing levels from 5.5 to 7 officers per position, the union reported that MCTS officers are still working excessive overtime and being forced to forego required training. There has been no increase in technical staff. In fact, the situation is worse as technicians are no longer available after working hours. Essential equipment to answer distress calls, regulate marine traffic or screen vessels can be unavailable for days, particularly over long weekends. Very little preventative maintenance is being done and the situation is deteriorating.

Fleet management

DFO operates a fleet of vessels to help provide services such as aids to navigation, icebreaking, the marine component of search and rescue, and marine pollution prevention and response, and for the purpose of conducting fisheries science, hydrography, oceanography and other marine sciences. The fleet is in effect a service provider for the Department's programs, and the costs of vessel operations and crewing are charged to these programs or business lines. The costs of fleet shore-based staff, capital acquisitions and maintenance of vessels are reported as a separate business line — fleet management. The fleet also provides support to other government departments and agencies. Moreover, the fleet contributes to Canada's sovereignty assertion in the Arctic through its icebreaking operations.

In the early 1990s, the Canadian Coast Guard (Transport Canada) and the Fisheries and Oceans fleets were the two largest civilian fleets in Canada. However, as a consequence of the 1994 Program Review, funding was significantly reduced for both fleets. In 1995, the Coast Guard was merged with Fisheries and Oceans, making the latter responsible for managing the Government of Canada's largest civilian fleet. This merger proceeded despite a 1990 independent review of all government fleet activity calling for the preservation of the two separate fleets, in part because both fleets operated differently and had different corporate cultures.⁶⁷

As of 31 March 2003, The Canadian Coast Guard/Department of Fisheries and Oceans fleet consisted of 109 operational vessels and 27 rotary-wing aircraft, and employed approximately 2,300 seagoing personnel.⁶⁸ This fleet, owned and operated by DFO, is still the largest civilian vessel and air fleet in the federal government.

The fleet has decreased by almost 50% since the merger. Before the merger, the Coast Guard and DFO fleets had a combined total of 198 vessels.⁶⁹ In 2000, there were 144 vessels remaining, of which only 108 (labelled "base fleet") were targeted by DFO for continued annual operational funding. DFO planned to hold in lay-up status or to decommission and eventually sell the unfunded vessels. Forty-one of the 108 vessels were considered large.⁷⁰ The direct cost of providing the fleet service in 2000 was \$281 million. Ships' personnel comprised 1459 crew and 777 officers (2236 total).

The fleet currently has 109 active vessels. The 41 large vessels are icebreakers, medium navaid tender, offshore vessels and intermediate cutters (Table 2). Large vessels are predominantly based in British Columbia, Quebec, Nova Scotia, and Newfoundland and Labrador (Table 3). Interestingly, there are no Coast Guard vessels based in Nunavut.

⁶⁷ 2000 Report of the Auditor General of Canada, Chapter 31.

⁶⁸ Fisheries and Oceans Canada, *Performance Report for the period ending March 31, 2003*, Ottawa, November 2003, p. 66.

⁶⁹ 2000 Report of the Auditor General of Canada, Chapter 31, p. 31-9. 198 vessels in 1990 and 170 vessels in 1994.

⁷⁰ 39 vessels were 30 metres in length or more.

Table 2: Types of vessels in the Canadian Coast Guard fleet.

Large vessels	Small vessels
#: 41	#: 68
<ul style="list-style-type: none"> • Heavy Gulf Icebreaker • Medium Gulf/River Icebreaker • Light Icebreaker — Major Navais Tender • Medium Navais Tender — Light Icebreaker • Ice Strengthened Medium Navais Tender • Offshore Research & Survey • Offshore Fisheries Research • Coastal Research & Survey • Special River Navais Tender • Offshore Ice Strength Multi Patrol Vessel • Offshore Multi Task Patrol Vessel • Intermediate Multi Task (Patrol) Cutter • Small Navais Tender (1 out of 9) • Multi Hulled Survey & Sounding (1 out of 2) 	<ul style="list-style-type: none"> • Inshore Research & Survey • Small Navais Tender • Inshore Fisheries Research • Small Multi Task Ice Strengthened Cutter • Small Multi Task Cutter • Multi Task Lifeboat • Multi Task High Endurance Lifeboat • Multi Task Medium Endurance Lifeboat • Inshore Multi Task Patrol Vessel • SWATH Survey & Sounding • Multi Hulled Survey & Sounding • Small Multi Task Utility Craft • Air Cushion Vehicle

Table 3: Geographical Distribution of the Canadian Coast Guard fleet by Province or Territory ⁷¹

DFO Regions	Province or Territories	Number of vessels			
		Total		Large vessels	
<i>Pacific</i>	British Columbia	24	22%	8 or 33%	20%
<i>Central and Arctic</i>	Northwest Territory	3	3%	All	7%
	Manitoba	1	1%	All	2%
	Ontario	20	18%	4 or 20%	10%
<i>Quebec</i>	Quebec	18	17%	9 or 50%	22%
<i>Gulf and Maritimes</i>	New Brunswick	8	7%	None	0%
	Prince Edward Island	3	3%	1 or 33%	2%
	Nova Scotia	19	17%	7 or 37%	17%
<i>Newfoundland and Labrador</i>	Newfoundland and Labrador	13	12%	8 or 62%	20%
<i>All Regions</i>		109	100%	41	100%

⁷¹ Based on the home port location.

The Canadian Coast Guard is “rusting out” and the fleet is clearly undercapitalized. The average age of the Coast Guard vessels is 20.2 years (median age is 19 years); for the larger vessels the average age is 24.8 years (median age is 22 years). Almost 80% of the fleet has reached or passed its half-life, and a little less than 50% of the vessels have 5 years or less of useful life left. The picture is bleaker when considering large vessels, for which the respective numbers are 95% and 39%. As reported by the Auditor General, DFO estimated in 1999 the replacement cost of all of the large vessels was at \$2.2 billion. The estimated replacement cost of large vessels more than 30 years old (1999) alone was \$775 million.⁷² Five years later, this estimate is likely to be much higher.

Thus, the first major challenge involves the need to replace aging vessels. Commander John Adams, Commissioner of the Canadian Coast Guard told the Standing Committee on Public Accounts that

... based on a renewal rate of only 4% for the asset base, the coast guard should be investing between \$140 and \$150 million in capital funding into our infrastructure each year, obviously including our fleet. Our budget over the last ten years or so has been in the order of \$30 million to \$40 million. That's one of the reasons why we brought in the integrated technical services concept to institute life cycle material management, in order to modernize our asset management practices and to help to define our recapitalization needs.⁷³

Mr. Adams added that the Coast Guard was at the stage

... where we're thinking that we need, in round figures, \$350 million to \$400 million in order that we can introduce a new series of offshore vessels to replace the most seriously aged vessels currently in our fleet. Then, if we follow that up with a regular allocation of capital money, we can renew and reinvigorate our fleet.⁷⁴

Mr. Charles Gadula, Director General, Fleet Directorate, Marine Services, Fisheries and Oceans Canada reaffirmed this assessment in the spring of 2003 in front of the Standing Senate Committee on National Security and Defence:

The majority of the vessels are past their mid-life. Some are approaching the point of replacement. In an examination of the fleet, we have determined that we will require about \$350 million capital investment to replace those vessels that have reached the end of their useful life.

⁷² 2000 Report of the Auditor General of Canada, Chapter 31, p. 31-10.

⁷³ John Adams, House of Commons, Standing Committee on Public Accounts, *Evidence*, 23 October 2001. This implies an asset base value of \$3.6 billion. Commander Adams was also cited in the report of the Standing Committee on Public Accounts which has considered Chapter 31 of the December 2000 Report of the Auditor General of Canada.

⁷⁴ *Ibid.*

However, let me qualify that by saying that many vessels can be extended through a life-extension program. Clearly, we are at the point where, over the next five to ten years, it will be time to reinvest in some of the capital ships in the Government of Canada's civilian fleet.

In the last budget, we received \$47 million, over two years, \$47 million each year. We are putting that into bringing the fleet up to a baseline, doing the essential refit and repair. In addition to that, we will continue to work on identifying the actual needs for vessel replacement.⁷⁵

Mr. Gadula added that a vessel replacement program

... would be similar to something [the Coast Guard] did in the mid-1980s with the SRCPP⁷⁶ program. That was when we built the last series of 1200s and 1100s. That program was phased in over about a five-year period at that time... When we look at the offshore capability, it's interesting to note that Canada's ice breaking capability lies within the coast guard. There's none in the navy. So when we look at establishing a visible coast guard presence in the high Arctic or out at sea in the ice-covered waters off the east coast, it's the coast guard that's there. If you wanted that five-year horizon, the vessels that we're talking about would be ones like the large icebreakers, or the 1200s; the 1100s, or the medium icebreakers; and the 1000 class, which has some ice capability but would be used in areas like the Great Lakes, the St. Lawrence River, and so on.⁷⁷

As Mr. Gadula noted to, the Coast Guard was promised \$47.3 million annually per year for two years or \$94.6 million in the February 2003 budget. However, the Committee notes that this amount is well short of what is required for renewal of the fleet, particularly when compared to the figure of \$140 to \$150 million annually to merely maintain the asset base, and far less than the major capital infusion required for fleet renewal. Nevertheless, for the Minister of Fisheries and Oceans, the Coast Guard modernization is one of a number of new policy initiatives, and therefore a priority. The promised new money will be invested in recapitalization of the Coast Guard fleet and shore-based infrastructure. DFO will identify ways of addressing the problems of the aging fleet and plans to present a business case for fleet recapitalization, which will include a series of major vessel refit/life extension projects and a new vessel construction project.⁷⁸

⁷⁵ Charles Gadula, Senate Standing Committee on National Security and Defence, Issue 14 — *Evidence*, 7 April 2003. Mr. Gadula is also cited in the Senate Committee Report, *The Longest Under-Defended Borders in the World*, Ottawa, October 2003, p. 15.

⁷⁶ Special Recovery Capital Projects Program.

⁷⁷ Charles Gadula, Senate Standing Committee on National Security and Defence, Issue 14 — *Evidence*, 7 April 2003.

⁷⁸ Fisheries and Oceans Canada, *Performance Report for the period ending March 31, 2003*, Ottawa, November 2003, p. 66.

The reality of the past few years contrasts sadly with these wishes. In 2002-03, total actual capital expenditures for fleet management business line⁷⁹ were \$39.5 million, almost 40% less than what had been originally planned (\$64.3 million), and \$14 million less than the total authorities available (see Table 4).⁸⁰ Of the authorities used for capital spending, \$14.8 million was spent on a Search and Rescue (SAR) Program Integrity project. This amount had not been originally planned. Thus, the Coast Guard spent less than \$25 million in 2002-03 for vessel refurbishment, life extension, replacement and upgrade. During the same fiscal year, total actual operating expenditures for fleet management were \$21.3 million more than planned.

This practice appears to be chronic at DFO. Since 1996, actual capital spending for fleet management has been consistently lower than planned spending by an average 45%. Over the same period, actual operating expenditures were consistently higher than planned. This did not occur either when the Coast Guard activity at DFO was reported as a single budgetary item, or when the Coast Guard was at Transport Canada before the merger (see Table 3).

⁷⁹ Fleet Management consists of the acquisition, maintenance and scheduling of the Department's vessel and air fleet in support of DFO program areas.

⁸⁰ Fisheries and Oceans Canada, *Performance Report for the period ending March 31, 2003*, Ottawa, November 2003, Tables 2 and 9; 2002-03 Public Accounts of Canada, Section 8, Fisheries and Oceans; and Fisheries and Oceans Canada, *Report on Plans and Priorities, 2003-04*, Ottawa, February 2003.

Table 4: Trend in Capital Spending for the Canadian Coast Guard Fleet Since Amalgamation to DFO

Fiscal year	Activity or Business Line	Capital Spending (million \$)		
		Planned	Authorized	Actual
2005-06	fleet management	82.7		
2004-05	fleet management	105.6		
2004-05	fleet management ⁸¹		82.0	
2003-04	fleet management	100.8	93.1	
2002-03	fleet management	64.3	53.5	39.5
2001-02	fleet management	68.3	65.7	28.5
2000-01	fleet management	101.2	88.4	36.4
1999-00	fleet management	68.2	68.2	39.3
1998-99	fleet management	66.4	66.4	48.8
1997-98	fleet management	58.8	62.4	28.6
1996-97	fleet management ⁸²	60.9		41.6
1996-97	Coast Guard at DFO ⁸³		69.9	62.7
1995-96	Coast Guard at DFO		90.6	81.1
1994-95	Coast Guard at Transport Canada ⁸⁴		108.1	108.1
1994-95	DFO, Corporate Policy and Program Support ⁸⁵		77.2	75.9

For 2003-04, DFO has planned spending \$100.8 million on capital for fleet management, \$47.3 million more than the previously forecast spending for 2002-03.⁸⁶ This amount corresponds to the investment announced for the Coast Guard in the February 2003 budget. Planned capital spending for fleet management in 2004-05 and 2005-06 are also higher than in recent years⁸⁷ (see Table 4). Again, the Committee notes that this long-term planning with additional investments, though welcome, still falls short of what is needed for renewal of the fleet. Moreover, the chronic under-capitalization of the Coast Guard fleet magnifies

⁸¹ Main Estimates 2004-05, p. 9-5.

⁸² New structure at DFO. In 1996-97, spending was reported in the departmental performance report both for departmental activities (old structure) and by Business Line.

⁸³ Old structure. This budgetary item includes all capital expenditures pertaining to the Coast Guard, and thus consists of more than just the acquisition, maintenance and scheduling of the fleet.

⁸⁴ Last year before the merger, the Coast Guard was under Transport Canada. This budgetary item includes all capital expenditures pertaining to the Coast Guard.

⁸⁵ This DFO activity included capital asset management and thus would include capital expenditures for the Department's fleet before the merger.

⁸⁶ Fisheries and Oceans Canada, *2003-04 Estimates, Part III — Report on Plans and Priorities*, Ottawa, March 2004. An amount of \$42.3 million was announced in the Supplementary Estimates of September 2003 for the refurbishment of the Coast Guard capital assets by acquisition of machinery and equipment.

⁸⁷ Presumably \$42.3 million of the injection of \$94.3 million over two years for fleet recapitalization was authorized by Supplementary Estimates (A) 2003-04. This amount brought the authorized total for Capital Expenditures for Fleet Management to \$93.1 million in 2003-04. Current Main Estimates 2004-05 forecast \$82 million for Capital Expenditures for Fleet Management.

the problems pertaining to the aging of the fleet, and each year wasted ultimately increases the capital infusion that will be required for fleet renewal.

Today's Coast Guard is the result of the transfer of the Coast Guard from Transport Canada to the Department of Fisheries and Oceans in 1995. Representatives from the Union of Canadian Transportation Employees believe that cost savings of \$55 million per year expected from multi-tasking vessels following the merger did not materialize since most of the vessels in the fleets were specialized. Therefore, in the view of union representatives, the rationale behind the merger was, and continues to be, fundamentally flawed and has had a serious effect on morale and capability within the Coast Guard.

Mr. John Fox, president of local 80809 of the Union of Canadian Transportation Employees, informed the Committee that upon analysis of the planned fleet services delivery for the Maritimes (2002-03), he realized that the total number of operational cycles of the ships was reduced from 28 to 9 for the Maritimes, resulting in the Coast Guard presence on the water being reduced by two thirds.⁸⁸

As part of our study of the Canadian Coast Guard, the Committee travelled to Europe to meet with officials from the various Coast Guard agencies and with parliamentarians of Norway, the United Kingdom and Iceland, and to learn about different ways of organizing coast guard activities. Although coast guard activities and fleet size and nature are strikingly different among the countries visited and Canada, some lessons can be learned in respect to fleet management. One of those is the possibility for the Coast Guard to lease some of the vessels in its fleet. Since it was established in 1977, the Norwegian Coast Guard has found that using chartered vessels enables a more flexible response to the variety of tasks assigned to it. Based on the success with using chartered vessels, the Coast Guard developed an interest in longer contracts with civilian companies using new ships built to Coast Guard specifications. In 1994 the Department of Defence, which has overall responsibility for the Coast Guard, approved 10-year contracts for hired vessels. The mixed military/civilian crew is under the command of a military officer. Eight out of the 24 Norwegian Coast Guard vessels (Northern and Southern squadrons) are chartered. The Norwegian Coast Guard also charters aircraft. The British Royal Navy has developed a new "River Class" series of vessels for fisheries protection service, to replace its existing five "Island Class" vessels. Three of the new class of vessels will be built and leased to the Royal Navy for an initial period of five years, after which the Navy will have the option of leasing them for a further period or returning them to the builder. This arrangement will provide the Royal Navy with a modern, capable and cost-effective force to patrol U.K. coastal waters.

⁸⁸ Ibid.

According to Commissioner Adams, DFO is exploring the option as the Department moves forward with its request for additional capital. The major concern of DFO at this time is that leasing is the most cost-effective option.⁸⁹ When asked about the possibility of leasing vessels for various coast guard activities, representatives from the unions affirmed that they did not see a potential problem with leasing vessels as long as they were crewed by the Coast Guard personnel. It would also be preferable that any leased vessels be built in Canada.

An Autonomous Canadian Coast Guard with an Expanded Mandate

This report and the Committee's previous report on Marine Communications and Traffic Services have highlighted a series of problems plaguing the Canadian Coast Guard. They have also drawn attention to the inability of the Coast Guard to respond to the challenges that it is facing now and in the foreseeable future. In its previous report on the Coast Guard, the Committee recommended solutions for the serious problems within Marine Communications and Traffic Services; however, little has changed since then. The Committee has therefore come to the conclusion that the problems at the Coast Guard cannot be resolved by incremental adjustments to the organization. This amounts to a band-aid solution that only treats the symptoms without getting at the roots of the Coast Guard's problems.

The first problem is that the Department of Fisheries and Oceans has failed to properly integrate the Coast Guard into its operations. At best, the Coast Guard can be regarded as a junior partner within DFO. In reality, it has become even less than that; the Coast Guard has virtually disappeared within the organizational structure of the Department, where it has become little more than a departmental service provider. The ADM Marine/Commissioner of the Coast Guard is only one of six Assistant Deputy Ministers and one Associate Deputy Minister. Neither DFO's Report on Plans and Priorities nor its Performance Report more than mentions the Coast Guard. In the Minister's presentations to the Committee, in May 2003, during its scrutiny of departmental estimates, the Coast Guard related initiatives accounted for a bare minimum of the Department's priorities. Yet, in terms of its manpower, assets and responsibilities, the Coast Guard is comparable to the remainder of DFO. The Coast Guard's responsibilities account for 30% of DFO's budget. It is clear that the two organizations have different mandates, corporate cultures and philosophies, and **that the merger of the two has been a disaster for the Coast Guard.**

It is disappointing, but not altogether surprising, that the Coast Guard should be relegated to a secondary role within an organization whose primary focus is the management of fisheries, particularly the commercial fisheries. In our

⁸⁹ John Adams, Committee *Evidence*, 25 September 2003.

view, the Coast Guard has a role to play that is at least equal to that of the Department of Fisheries and Oceans but it is unrealistic to expect it to fulfil that role in its current state within DFO.

The second problem, which stems in part from the first, can be seen by examining Table 4 on page 39, which clearly shows that planned and authorized spending was always greater than actual spending. This demonstrates that DFO has chronically starved the Coast Guard of adequate funding.⁹⁰ The fleet is rusting out. The organization is understaffed. Its officers are overworked, stressed and demoralized. The Coast Guard requires the human and physical resources, ships, manpower, modern technology, and funding to do the job. The probability that the Coast Guard will get these resources within DFO, which has its own financial pressures and a different set of priorities, is, in our view, minuscule.

The third problem is that the Coast Guard's mandate does not fully reflect the role that we believe it should be playing. Despite the name, the Coast Guard does not actually guard our coasts, at least not in any formal sense.

The Committee has therefore concluded, first, that the Canadian Coast Guard should be a stand-alone federal agency reporting directly to a responsible Minister.

Second, the Committee believes that, in addition to its traditional responsibilities, the Coast Guard's mandate should be expanded to include coastal security. In other words, the Coast Guard would have responsibility for actually guarding the coast and as such it would have a formal role in national security. This new security mandate would apply to the East and the West Coasts, the Arctic, and the Great Lakes and the St. Lawrence Seaway. Moreover, the Committee concludes that the Coast Guard should maintain, and even expand in some cases, its traditional responsibilities of maritime safety, facilitation of maritime commerce and ocean development, protection of fisheries resources, and environmental protection and response. For example, the role of the Coast Guard in terms of environmental response should be expanded to make the Coast Guard the lead federal agency. This would be consistent with the belief that the Canadian Coast Guard should have overarching authority for ensuring the safety, security and environmental integrity of Canada's coasts. In this expanded mandate, the Committee understands that there would be some overlap with

⁹⁰ The Public Accounts of Canada information for DFO reveals some trends since the incorporation of the Coast Guard in 1996. In the past 7 years, the average authorized available Capital Expenditures for Fleet Management has been \$67.4 million of which only \$36.8 million (average) or 55% was used. At the same time, the Operating Expenditures used for the same business line are consistently higher than the available authorities. Over the past six completed fiscal cycles, with the exception of Fleet Management, the four business lines under the purview of the Commissioner of the Canadian Coast Guard have seen their Operating Expenditure reduced by a total of \$200 million, and their Capital Expenditures by \$61 million.

the mandate of the armed forces of Canada and that this situation would have to be managed by the departments concerned.

Third, the Coast Guard should be properly funded with its own independent budget. In this way, the lines of accountability will be much clearer and it will be impossible for the Coast Guard programs to be short-changed because of another agency's priorities. The Committee expects that, in a transition to a stand-alone agency, all the funding currently allocated to the Coast Guard in the DFO budget would continue to be available to an independent Coast Guard. In addition, there should be new funding for an enhanced security role as well as substantial investments in re-capitalization of the fleet.

The first step in coastal security is the ability to detect maritime activity. Given its existing responsibilities, the Canadian Coast Guard is the logical agency to provide comprehensive surveillance of Canadian waters. The Committee believes the Coast Guard should be fully equipped with appropriate technology such as the shore-based component of the Automatic Identification System and High Frequency Surface Wave Radar installations, noting that these systems are complementary. In addition, for some surveillance tasks, satellite technology and unmanned aerial vehicles may be cost-effective solutions deserving serious consideration.

The second step is the capacity to transform raw information into intelligence that can detect potential threats to Canadian security, resources or environment. This appears to be mostly a question of having sufficient and appropriate human resources. This should include the authority to share intelligence with other agencies and the facilities to do so through secure channels of communication.

Finally, the Coast Guard should have authority and the capacity to interdict or intervene in situations where there is cause to believe there is threat to Canadian interests, either to verify that no threat exists or to neutralize a threat when one is detected. As Canada's security agency on the water, the Coast Guard should have the authority to act on behalf of other agencies, including where appropriate, the Department of Fisheries and Oceans, Environment Canada, the Department of Justice, Transport Canada, the Canada Border Services Agency, the Canada Revenue Agency, and Citizenship and Immigration Canada.

In order to carry out this essentially policing role, the Coast Guard requires a robust capacity to intervene where warranted. One option could be to transform the Coast Guard into a branch of the Canadian military, similar to the Norwegian Coast Guard, which forms a branch of the Royal Norwegian Navy. The Committee acknowledges that this would be difficult given the long history of the Canadian Coast Guard as a civilian agency. Furthermore, given the distressed state of the

Canadian military, it is not at all certain that the Coast Guard would fare better as a branch of the military than it currently does within DFO.

The other option would be to maintain the Coast Guard as a civilian agency but to provide its officers and possibly its vessels with armaments sufficient to the task. Iceland has followed a similar path. The Icelandic Coast Guard is a civilian agency reporting to the country's Minister of Justice; however, its three cutters are each armed with a 40-mm cannon. Members of the Coast Guard unions have stated that light arms are all that is required. Even as a civilian agency, the Committee believes that the Commissioner of the Coast Guard should be someone with military, maritime or comparable experience.

The Committee is convinced that this change is justified for the following reasons. There are high costs of not protecting our coasts, which may not always be clearly evident because they are spread out. Such costs may include the victims of trafficking in illegal drugs and weapons, the influx of illegal migrants, environmental damage, illegal fishing, economic losses resulting from U.S. security concerns, and even challenges to Canadian sovereignty.

The threat of terrorist activities is real and the lack of security on our coasts threatens our national interests. It is not just Canada's security that is compromised but that of our neighbour to the south. Americans, understandably, feel vulnerable to the threat of terrorist activities and that sense of vulnerability is heightened by circumstances that they cannot control directly. Many Americans perceive Canada to be soft on security issues. Whether or not this is accurate is not the point. Canada's economy is inextricably linked with that of the U.S., our largest trading partner by far. Our economy depends on the free flow of goods and people across the border with the United States. Approximately \$1.7 billion (CAD) in trade passes between our two countries each day. Unless Canada secures its own borders, the "longest under-defended border" in the world will become increasingly impassable, to the detriment of our economy.

Canada has a duty to afford protection not only to its own citizens but those of the U.S. It also has a moral obligation and an economic incentive to protect its environment, its resources and its sovereignty.

The Standing Committee on Fisheries and Oceans therefore recommends:

RECOMMENDATION 9

That a renewed Canadian Coast Guard be established as an independent civilian federal agency.

The Committee recommends:

RECOMMENDATION 10

That the Coast Guard agency report to the Minister of Transport for at least the following two reasons:

- **The Minister of Transport already has a lead role for maritime security; and**
- **The Minister of Transport has responsibility for maritime traffic in general, and a major part of the Coast Guard's responsibilities concerns the safety of maritime traffic.**

The Committee recommends:

RECOMMENDATION 11

That the Canadian Coast Guard be governed by a new Canadian Coast Guard Act that would set out the roles and responsibilities of the Coast Guard. These would include:

- **Search and Rescue;**
- **Emergency Environmental Response;**
- **A lead role among the several federal departments involved in marine pollution prevention;**
- **A formal mandate in national security with respect to Canada's coasts, including the Great Lakes and the St. Lawrence Seaway;**
- **The assertion of Canadian sovereignty;**
- **Facilitation of safe and efficient marine commerce; and**
- **Pleasure craft safety.**

The Committee recommends:

RECOMMENDATION 12

That the federal government conduct an assessment of the utility and cost-effectiveness of new technology such as

satellites and unmanned aerial vehicles for coastal surveillance and maritime security.

The Committee recommends:

RECOMMENDATION 13

That the Canadian Coast Guard be given full operational funding sufficient to carry out existing roles as well as the expanded mandate and additional responsibilities recommended in this report.

The Committee recommends:

RECOMMENDATION 14

That the federal government make an immediate commitment that the Canadian Coast Guard receive an injection of capital funding to pay for fleet renewal, upgraded and modernized shore-based infrastructure and the implementation of new technology; and,

That, in order to provide flexibility and value for money, the federal government consider the option of employing purpose-built or modified chartered vessels for fleet renewal provided any such vessels be built or modified in Canada and operated by Coast Guard crews.

The Committee recommends:

RECOMMENDATION 15

That the Canadian Coast Guard be given the explicit authority to act on behalf of other agencies, including Fisheries and Oceans Canada, Environment Canada, Transport Canada, the Canada Border Services Agency, the Canada Revenue Agency, and Citizenship and Immigration Canada in situations where there is reasonable cause to believe that Canadian laws are being broken.

The Committee recommends:

RECOMMENDATION 16

That a select number of Coast Guard officers be designated as peace officers with the authority to carry out enforcement duties. These officers should receive appropriate training and pay commensurate with these new responsibilities.

The Committee recommends:

RECOMMENDATION 17

That, where appropriate, Coast Guard officers be authorized to carry light arms in the execution of their duties.

The Committee recommends:

RECOMMENDATION 18

That a number of Coast Guard vessels be equipped with suitable deck-mounted armament.

LIST OF RECOMMENDATIONS

RECOMMENDATION 1

That the Government of Canada, through the Canadian Coast Guard, continue to support the Canadian Coast Guard Auxiliary; and

That, funding to the Auxiliary be increased, at a minimum, to meet the cost of higher insurance premiums.

RECOMMENDATION 2

That the Government of Canada, through the Canadian Coast Guard, guarantee stable, long-term A-base funding for the Office of Boating Safety at a level fully sufficient for it to meet its responsibilities.

RECOMMENDATION 3

That the Government of Canada establish the Canadian Coast Guard as the lead federal agency among the several federal departments involved in marine pollution prevention.

RECOMMENDATION 4

That the Canadian Coast Guard be given all the necessary resources and powers to conduct surveillance and collect evidence necessary for the effective prosecution of contraventions of Canadian marine anti-pollution laws in order to deter would-be polluters.

RECOMMENDATION 5

That the Attorney General of Canada instruct federal prosecutors involved in marine pollution cases to bring to the attention of the court, prior to sentencing, the total cost to the Canadian taxpayer of investigating and prosecuting the offence.

RECOMMENDATION 6

That, as a matter of priority, the Governor in Council expedite the regulatory reform under the new *Canada Shipping Act, 2001* in order that it come into force as soon as possible.

RECOMMENDATION 7

That, if the Coast Guard and DFO have not already responded to the proposals of the shipping industry to establish a long-term agreement to eliminate fees as soon as possible, and to work together to optimize services and adjust cost structures, they have the courtesy to do so not more than 60 days from the tabling of this report; and

That this committee review the proposals and the response from DFO and the Coast Guard.

RECOMMENDATION 8

That, prior to any decision to de-staff lightstations, affected communities and stakeholders be consulted and that any subsequent recommendations be referred to an appropriate parliamentary committee for review.

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That a number of Coast Guard vessels be equipped with suitable deck-mounted armament.

APPENDIX A LIST OF WITNESSES

Associations and Individuals	Date	Meeting
Department of Fisheries and Oceans John Adams, Commissioner, Canadian Coast Guard Larry Murray, Deputy Minister	12/06/2003	48
Department of Fisheries and Oceans John Adams, Commissioner, Canadian Coast Guard	25/09/2003	49
Office of the Auditor General of Canada Kevin Potter, Director, Audit Operations Branch Bill Rafuse, Principal Ron Thompson, Assistant Auditor General		
Canadian Shipowners' Association Don Morrison, President	07/10/2003	52
Chamber of Maritime Commerce Raymond Johnston, President		
Shipping Federation of Canada Ivan Lantz, Director, Marine Operation		
St. Lawrence Economic Development Council Marc Gagnon, Executive Director		
CAW-Canada Martin Grégoire, President, Local 2182	09/10/2003	53
Union of Canadian Transportation Employees John Fox, President, Local 80809 Michael Wing, National President		
Canadian Coast Guard Auxiliary Harry Strong, Chief Executive Officer	21/10/2003	54
Senate Pat Carney, Senator		

APPENDIX B LIST OF BRIEFS

Canadian Shipowners' Association

Canadian Yachting Association

Chamber of Maritime Commerce

Shipping Federation of Canada

St. Lawrence Economic Development Council

REQUEST FOR GOVERNMENT RESPONSE

Pursuant to Standing Order 109, the Committee requests that the government table a comprehensive response to this report within 150 days.

A copy of the relevant Minutes of Proceedings ([Meeting Nos. 2, 3, 4, 5, 8 and 9](#)) is tabled.

Respectfully submitted,

Tom Wappel, M.P.
Chairman

Note: Meetings 48, 49, 52, 53 and 54 in the 2nd Session of the 37th Parliament also pertain to this study.

MINUTES OF PROCEEDINGS

Tuesday, March 30 2004
(Meeting No. 9)

The Standing Committee on Fisheries and Oceans met *in camera* at 11:06 a.m. this day, in Room 705 La Promenade Building, the Chair, Tom Wappel, presiding.

Members of the Committee present: Andy Burton, Rodger Cuzner, Loyola Hearn, Bill Matthews, Hon. Shawn Murphy, Carmen Provenzano, Jean-Yves Roy, Gary Schellenberger, Paul Steckle, Peter Stoffer, Tom Wappel and Bob Wood.

In attendance: Library of Parliament: François Côté, Analyst; Alan Nixon, Principal.

Witnesses: Department of Fisheries and Oceans: Sharon Ashley, Director General, Policy Coordination and Liaison; Yves Bastien, Commissioner of Aquaculture Development; Jean-Claude Bouchard, Associate Deputy Minister; George Da Pont, Assistant Deputy Minister, Human Resources Corporate Services; Sue Kirby, Assistant Deputy Minister, Oceans; Wendy Watson-Wright, Assistant Deputy Minister, Science; David Bevan, Acting Assistant Deputy Minister, Fisheries Management.

Pursuant to Standing Order 81(4), the Committee resumed consideration of the Main Estimates 2004-2005: Votes 1, 5 and 10 under FISHERIES AND OCEANS.

The witnesses made statements and answered questions.

Pursuant to Standing Order 108(2), the Committee resumed its comprehensive study on the Canadian Coast Guard.

At 12:06 p.m., the sitting was suspended.

At 12:09 p.m., the Committee proceeded to sit *in camera*.

The Committee resumed consideration of a draft report.

It was agreed, — That the draft report, as amended, be adopted, on the condition that Mr. Roy approve the final French version before the report is tabled.

It was agreed, — That the Chair, Clerk and researchers be authorized to make such grammatical and editorial changes as may be necessary without changing the substance of the report and thereafter to provide a copy of the draft report to each member of the Committee as soon as possible for their immediate comments.

It was agreed, — That the Chair present the report to the House.

It was agreed — That, pursuant to Standing Order 109, the Committee request that the government table a comprehensive response to the report

It was agreed — That, the report be adopted unanimously.

At 12:28 p.m., the sitting was suspended.

At 12:29 p.m., the sitting resumed.

Pursuant to Standing Order 81(4), the Committee resumed consideration of the Main Estimates 2004-2005: Votes 1, 5 and 10 under FISHERIES AND OCEANS.

At 1:04 p.m., the Committee adjourned to the call of the Chair.

Angela Crandall
Clerk of the Committee