



09 June, 2017

The Honourable Percy Mockler, Senator
Chair, Standing Senate Committee on National Finance
Senate of Canada
Ottawa, ON
K1A 0A4

Dear Senator Mockler,

We are writing on behalf of the Shipping Federation of Canada, which represents the owners, operators and agents of ocean ships that carry Canada's imports and exports to and from ports across Canada. The Federation's member companies are involved in all sectors of the shipping industry, including dry bulk, liquid bulk, container and cruise. The purpose of this letter is to raise a number of issues related to Division 21 of Bill C-44 (the *Budget Implementation Act*), which provides for the repeal of the *User Fees Act* and the introduction of a revised legislative framework for setting fees – the *Service Fees Act*. We understand that Bill C-44 will soon be tabled in the Senate and would like to bring the following comments to your attention.

Ship-owners and operators are users of numerous governmental services when navigating in Canadian waters, including icebreaking, aids to navigation, dredging, and various ship inspection activities. These services are provided by a number of departments and agencies (Transport Canada, the Canadian Coast Guard, the Canadian Food and Inspection Agency, the Canada Border Services Agency, etc.) against fees that would now fall under the purview of the proposed *Service Fees Act*.

One of our main concerns with the *Service Fees Act* is the absence of language – which was found in the *User Fees Act* - which explicitly requires that fees charged to users result “in a direct benefit or advantage to the person paying the fee.” From a user's perspective, having this language in the legislation is an important means of ensuring that fees remain closely linked to the service provided, and that the services delivered provide value for money. Such language also helps ensure that any increases in fees are supported by a corresponding increase in direct benefits provided to users. In view of the foregoing, we seek your support in reintroducing this language in the *Service Fees Act*, or alternatively, in obtaining a commitment from government officials to include this language in the supporting Treasury Board policies and/or directives.



We also wish to highlight the importance of ensuring that the introduction of any new or increased fees be accompanied by a full assessment of the private vs. public benefits of the corresponding services. For example, transportation is a service industry, and marine transportation in Canadian waters provides a key service that facilitates the competitiveness of – and directly benefits – Canadian exporters (and therefore the Canadian economy). Given the foregoing, it would be appropriate to seek partial rather than full cost recovery when considering fees for governmental services that support safe and efficient navigation in Canadian waters. It is worth noting that the split between public-private benefits – and the need to consider this dimension with respect to any new or increased user fees – was also recognized by the Treasury Board during its appearance before the House Standing Committee on Finance on May 18, 2017. From our perspective, we believe that Treasury Board policies and/or directives should provide a more detailed analytical framework for ensuring a consistent and comprehensive approach across all departments when assessing what share of the cost of a given service should be covered by the public purse and what share should be borne by the “users” of that service.

In addition to ensuring that the level of recovery reflects the appropriate mix of public-private benefits, it is also critical that any fees being proposed by a department or agency are assessed against the primary beneficiary. In our industry, we have seen cases in which a fee was assessed against the vessel, when the fee was actually for a service which related primary and/or solely to the cargo interest. There should be safeguards under the *Service Fees Act*, or within its supporting policies and directives, to prevent such situations.

As the government works to modernize the fee setting process, we encourage you to also ensure that the legislative and/or policy framework contains the proper backstops to require departments and agencies to increase efficiency overall. As taxpayers, Canadians look to the government to ensure that efficiencies are brought about before expenses are made. In the same manner, as users of government services, our industry looks to the federal government to require greater efficiency, so that fees imposed on the private sector do not become a de-facto mechanism for securing funding for programs in a context where a department or an agency has not succeeded in obtaining appropriations from the Treasury Board, or where efficiency in service delivery has not been fully realised. Although the *Service Fees Act* contains some provisions requiring departments and agencies to provide performance standards, we note that this requirement does not apply to all fees that are under the purview of the Act. Furthermore, requiring greater efficiency in service delivery should not only be achieved through a commitment to deliver services within “X” hours; but also through an obligation on the part of departments and agencies to seriously consider how they can increase efficiency before seeking increases in or imposing new fees to finance their programs/services.



Another point we wish to raise is the importance of considering the impact of new or increased fees on the financial or competitive positions of the user groups paying those fees. In this respect, we would note that the automatic CPI escalator clause contained in the *Service Fees Act* could have a potentially detrimental impact on the competitive position of users in the medium to long term – which in turn could affect the Canadian economy. This is particularly true for user groups – including our industry - which are subject to fees from multiple departments, as those groups will be faced with the compounding effect of multiple fees that increase on an annual basis over a significant period of time. Another unanticipated impact of the escalator clause is that it could serve as another disincentive for departments to introduce greater efficiencies in their services, as they will benefit from an annual CPI increase in any event. In view of these concerns, we recommend that the *Services Fees Act* include a commitment from the government to undertake a review of the impact of the escalator clause (including unforeseen consequences) every five years.

Finally, the set of policies and directives that will be developed by the Treasury Board in support of the implementation of the *Service Fees Act* should also be subject to consultation with stakeholders prior to being finalized, given that these policies and directives (which will complement the legislative framework) will play an important role in “modernizing” the fee setting process in Canada.

Before concluding, we would also like to suggest that consideration be given to improving the efficiency of the mechanism for collecting fees. From a stakeholder’s perspective, receiving up to 10 invoices from 5 departments/agencies in relation to one activity (and multiplying that by hundreds of occurrences in one year) leads to inefficiencies for both the industry and the federal government. Consideration should be given to channelling the collection process through a single window for specific industries/activities, as much as possible.

Respectfully submitted,

A handwritten signature in black ink that reads "M. Broad".

Michael Broad
President
Shipping Federation of Canada

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