

**SAINT JOHN PORT AUTHORITY**  
**DREDGING SERVICES FEE BY-LAW**  
**EXPLANATORY DOCUMENT**

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**Background:**

Prior to 1996 the main channel, Courtenay Bay channel and turning basin had been regularly dredged by the Federal Government, through the Canadian Coast Guard, who contracted Public Works to carry out dredging. In 1995/96 the Coast Guard started a gradual phasing-out of funding for dredging, transferring the responsibility for dredging to the private sector and ports that benefited from it. This was carried out despite considerable opposition from the maritime community. Prior to the Coast Guard's withdrawal from dredging in Saint John (1996), the Port conducted annual maintenance dredging in the harbour at berths under its management, removing approximately 100,000 cubic metres of material each year. The Coast Guard removed approximately 300,000 cubic metres from the channel dredging on an annual basis. In 1996, when the Saint John Port Corporation assumed responsibility for all dredging, it did not dredge the areas previously regularly dredged by the Coast Guard, as there was sufficient depth to meet shipping requirements at that time and the cost of the activity had not been budgeted.

**Dredging Costs**

Over the last five years, 2004 to 2008, total dredging related costs have averaged over \$3 million per year. The primary cost is the dredging contract, which averaged \$2.7 million per year over this five year period. In looking at where the cost is incurred the five year average can be broken down as follows:

Main Channel North	\$	37,000
Main Channel South	\$	27,000
Berths	\$	949,000
Courtenay Bay	\$	2,005,000

There is no dredging required in the outer harbour where the new LNG Terminal and Canaport operate.

**Cost Recovery Program**

The cost of dredging is a significant cost that has continued to increase over time. In examining the approach to be taken it is seen as fair and reasonable that those benefiting from the dredging service should be bearing the costs of those services. The Authority was responsible for dredging of most of the berths prior to 1996 with any water lots that were leased being the responsibility of the lessee. Applying the same principle, it is seen as fair and reasonable that the dredging services fee should be applied to vessels using common channel areas within the port that require dredging. Also, some vessels, that do not require dredging to enter or leave the port, would not have a dredging services fee applied. This pertains to vessels entering the outer harbour or vessels with a draught of 5.0 meters or less.

Based on a user pay system, a dredging services fee is being implemented that would establish two zones based on where ships go in the port. The zones have been established to be fair and reasonable to users, as there is a significant difference in the cost of dredging in each zone. In order to smooth the impact for users a five year average for dredging costs is being used to estimate future dredging. Each year the costs for dredging in each zone will be determined and the fee in the following year will be modified, taking into account any surplus or deficit that has been incurred.

### **Vessel Traffic by Zone**

An examination of vessel traffic in the port shows that vessels utilizing facilities that require dredging of channel areas, can be broken down into two zones:

Zone 1 - vessels using the south section of the main channel and entering Courtenay Bay

Zone 2 – vessels using the south and north sections of the main channel and entering the inner harbour.

In 2008 the gross tonnage of ships entering the harbour, where dredging is required was 16.5 million tons. This can be broken down as follows:

<u>Zone</u>	<u>Location</u>	<u>Gross Tonnage</u>
1	Courtenay Bay	9,695,000
2	Inner Harbour	6,825,000

### **Dredging Services Fee**

The dredging services fee to be implemented, effective June 1, 2009 is as follows:

1. Vessels entering Zone 1 ..... \$0.2085 per gross ton
2. Vessels entering Zone 2 ..... \$0.0070 per gross ton
3. Vessels entering both zones on one call..... \$0.2085 per gross ton

## Dredging Services Fees

Dredging Costs	2004	2005	2006	2007	2008	5 Year Avg.
Main Channel North / Inner Harbour	\$ -	\$ 69,714	\$ 42,728	\$ -	\$ 70,552	\$ 36,599
Main Channel South	-	49,376	72,366	-	15,746	27,498
Courtenay Channel & Turning Basin	1,117,476	1,333,512	3,104,561	1,061,866	3,406,893	2,004,862
<b>Total Channel</b>	<b>\$ 1,117,476</b>	<b>\$ 1,452,602</b>	<b>\$ 3,219,655</b>	<b>\$ 1,061,866</b>	<b>\$ 3,493,191</b>	<b>\$ 2,068,958</b>
Total Gross Tonnage of Ships (based on 2008)						
Inner Harbour	6,825,081	6,825,081	6,825,081	6,825,081	6,825,081	6,825,081
Courtenay Bay	9,695,226	9,695,226	9,695,226	9,695,226	9,695,226	9,695,226
	<b>16,520,307</b>	<b>16,520,307</b>	<b>16,520,307</b>	<b>16,520,307</b>	<b>16,520,307</b>	<b>16,520,307</b>
Cost per gross ton						
Main Channel North	\$ -	\$ 0.0102	\$ 0.0063	\$ -	\$ 0.0103	\$ 0.0054
Main Channel South	-	0.0030	0.0044	-	0.0010	0.0017
Courtenay Channel	\$ 0.1153	\$ 0.1375	\$ 0.3202	\$ 0.1095	\$ 0.3514	\$ 0.2068
<b>Fee Schedule</b>						
<b>Zone 1</b>						
<b>Main Channel South and Courtenay</b>	<b>\$ 0.1153</b>	<b>\$ 0.1405</b>	<b>\$ 0.3246</b>	<b>\$ 0.1095</b>	<b>\$ 0.3524</b>	<b>\$ 0.2085</b>
<b>Zone 2</b>						
<b>Main Channel South, North and Inner Harbour</b>	<b>\$ -</b>	<b>\$ 0.0132</b>	<b>\$ 0.0106</b>	<b>\$ -</b>	<b>\$ 0.0113</b>	<b>\$ 0.0070</b>