



OFFER LETTER

Ottawa, 28 January 2021
SOPF File: 120-873-C1
CCG File:

BY EMAIL

Senior Director of Incident Management, Response Directorate
Canadian Coast Guard
200 Kent Street (5N177)
Ottawa, Ontario K1A 0E6

RE: *F/V HALARY NO. 1* — Campbell River, British Columbia
Incident date: 2018-10-11

SUMMARY AND OFFER

This letter responds to a submission from the Canadian Coast Guard (the “CCG”) with respect to the fishing vessel *HALARY NO. 1* (the “Vessel”), which sank on 11 October 2018, at Campbell River, British Columbia (the “Incident”).

On 9 October 2020, the office of the Administrator of the Ship-source Oil Pollution Fund (the “Fund”) received a submission from the CCG on behalf of the Administrator. The submission advanced claims totaling \$25,413.44 for costs and expenses arising from measures taken by the CCG to respond to the Incident.

The submission has been reviewed and a determination with respect to its claims has been made. This letter advances an offer of compensation to the CCG pursuant to sections 105 and 106 of the *Marine Liability Act*, SC 2001, c 6 (the “MLA”).

The amount of \$17,021.27 (the “Offer”), plus statutory interest to be calculated at the time the Offer is paid and in accordance with section 116 of the MLA, is offered with respect to this claim.

The reasons for the Offer are set forth below, along with a description of the CCG’s submission.

THE SUBMISSION RECEIVED

The submission includes a narrative that describes events relating to the Incident. It also includes a summary of the costs and expenses that the CCG claims and corroborating documents. To the extent that the narrative and corroborating documents are relevant to the determination, they are reviewed below.

The narrative and photographs

According to the narrative, on 11 October 2018 at 08:10, CCG Environmental Response (“ER”) received a report that a 35-foot ex-fishing vessel identified as the “*Halary*” had sunk alongside a dock at Discovery Marina, in Campbell River, British Columbia. The local Lifeboat Station was dispatched to assess the situation.

The narrative continues:

On arrival, Campbell River Lifeboat Station crew (Coast Guard personnel) observed pollution upwelling from vessel and placed sorbent pads and sorbent boom around it. Harbour Master also arrived and placed additional sorbent boom and sorbent pads to help contain sheen which was spread throughout the marina. Owner [...] advised vessel may contain up to 200 gallons of fuel. Also, he was unable to provide any assistance, financial or otherwise, for the salvage of his vessel. [...] Lifeboat Station [personnel] would remain on scene until arrival of salvage contractor. [They] would then proceed back to Search and Rescue (SAR) standby.

0818LT ER Duty Officer made arrangements with Rilaur Enterprise to salvage the vessel and mitigate any pollution threat. Rilaur was the only local salvage company available that had the means to provide a timely and proper salvage operation. To go outside the area would result in a longer salvage operation which would mean the vessel would continue to upwell pollution and risk further damage to the marine environment. Pacific Pro Dive had certified divers with surface air, required by [the CCG] and Beaufort Range Marine Group would provide the de-rigging, transportation and storage of vessel once it was removed from the water.

0930LT Rilaur Enterprise arrived on scene and relieved [Lifeboat Station] personnel. Rilaur Enterprise personnel, along with Harbour Master, would continue to replace/remove sorbent boom and pads as required. Pacific Pro Dive personnel (divers) later arrived and placed lift bags. This action, in combination with dewatering using pumps and generators provided by Rilaur Enterprise, was required to refloat the vessel.

1403LT ER Duty Officer contacted a marine surveyor, of Building Sea Marine, based on availability. He was unable to arrive at Campbell River to do an in-water survey before the vessel was removed from the water. He advised he would survey vessel at Beaufort Range Marine Group yard in Comox.

1649LT Vessel was refloated, dewatered and towed by Rilaur Enterprise, to a nearby boat ramp to await arrival of a boat hauler (via Beaufort Range Marine Group) the next morning. Rilaur Enterprise personnel also removed the soiled sorbent boom and

pads from the marina. Since the source of water ingress could not be determined, the *Halary* could risk sinking again and continue to release pollution into the marine environment. ER Duty Officer requested Rilaur Enterprise maintain pumps on the vessel throughout the night to keep it afloat.

The narrative goes on, with respect to 12 October 2018:

At 0908LT Rilaur Enterprise departed location and personnel from Beaufort Range started to de-rig the *Halary* and prepare it for removal and transport. Late afternoon vessel was removed from the marine environment and transported to Beaufort Range Group yard in Comox.

1759LT [Beaufort Range Marine Group] advised vessel was secure in [its] yard awaiting marine survey [...].

The narrative then states that Heatherington Industries Ltd. picked up bags of soiled sorbent materials at Campbell River on 15 October 2018. Noting that “A survey report was received from the marine surveyor” on 23 October 2018, the narrative incorporates the following passage:

“The main engine and marine gear remain assembled so it is assumed they also remain with their internal lubricating & hydraulic oils mostly in place in the sumps, except where likely part-displaced with seawater. Total volume estimated to be 20 gallons of gear oil and diesel engine oil. The main engine keel-cooling system is considered to remain full and so with approximately 20 gallons. It is considered that the fuel tanks are part-full of gasoline / water mixture, so containing approximately 50 to 75 gallons each.

The underwater hull carries a very heavy and mature growth of weed, mussel, barnacle and general sea-growth across all areas visible with the propeller and rudder heavily encrusted. The rudder is heavily rusted and it is apparent the vessel has not been dry docked for regular maintenance in a very long time and similarly has not operated for a very long time. There are no anodes remaining. Carefully examining the underwater planking along the keel shows the garboard seem to be poor in several locations along the starboard side. The machinery space bilge is lightly fouled with oil and fuel.

Without significant repairs, rebuilding and replacement of ships systems the vessel will remain an immediate risk to the environment and navigable waters of BC if put back into the water as is.

There is ZERO residual value in the complete hull, structure & equipment of the vessel as they currently exist.
There is ZERO residual value in the hull, structure & equipment of the vessel if the vessel was deconstructed.
There is ZERO residual value in salvage of the electronics, machinery or any components onboard the vessel.”

Figure 1 – Screen from portion of narrative quoting a passage from the survey report

The narrative then concludes as follows:

Based on this information, the fact the owner was unable to provide any assistance, financial or otherwise, and the overall residual value of the vessel was \$0, it was recommended the vessel be deconstructed.

30 Oct 2018

[Beaufort Range Marine Group] was given the go-ahead, by CCG Environmental Response, to deconstruct the *Halary*.

22 Dec 2018

Beaufort Range Marine Group advised the *Halary* had been deconstructed and disposal had taken place.

The submission includes several uncaptioned and undated photographs:

Figures 2 through 4 – Screen captures of a selection of photographs from the submission

Cost summary

The CCG submission summarizes claimed costs as follows:

		<u>SCH</u>
MATERIALS AND SUPPLIES	-	1
CONTRACT SERVICES	24,701.49	2
TRAVEL	-	3
SALARIES - FULL TIME PERSONNEL	328.20	4
OVERTIME - FULL TIME PERSONNEL	-	5
OTHER ALLOWANCES	-	6
SALARIES - CASUAL PERSONNEL	-	7
SHIPS' COSTS (EXCL. FUEL & O/T)	-	8
SHIPS PROPULSION FUEL	-	9
AIRCRAFT	-	10
POLLUTION COUNTER-MEASURES EQUIPMENT (PCME)	375.00	11
VEHICLES	-	12
ADMINISTRATION	8.45	13
	<hr/>	
TOTAL CCG COST OF INCIDENT	<u>\$ 25,413.14</u>	

Figure 5 – Screen capture of the cost summary

Contractor documentation

The CCG submission summarizes claimed contractor costs as follows:

CONTRACT SERVICES	AMOUNT	GST	TOTAL	REFERENCE
RILAUER ENTERPRISES LTD	4,312.50	215.63	4,528.13	inv 103118
PACIFIC PRO DIVE LTD	5,874.51	277.13	6,151.64	inv 19048
BEAUFORT RANGE MARNINE GROUP	11527.02	576.35	12,103.37	INV 201804
HETHERINGTON INDUSTRIES LTD	645	32.25	677.25	INV E-89330
BUILDING SEA MARINE	1182	59.1	1,241.10	INV 730
			-	inv 103118 Paid Nov 14/18 Paid Oct 17/18 Paid Jan 29/19 Paid by GAC Paid Feb 25/19

Figure 6 – Screen capture of contractor costs summary

The claimed costs appearing in Figure 6 are supported by five primary invoices paid by the CCG and 11 secondary invoices and receipts from eight different subcontractors and suppliers.

The invoice from Rilaur Enterprises Ltd. (“Rilaur”) is dated 31 October 2018. It covers portions of the raising and removal operation, as well as some project management. It includes a brief description of that work, which adds detail to the CCG’s narrative: two Rilaur vessels were used in the operation and a nearby sailboat had to be moved in order to gain access to the sunken Vessel. Also included is the following barely legible list of services rendered and charges:

DATE OF SERVICE	TIME	DESCRIPTION	RATE	TOTAL
Oct 11 2018	3.75 Hrs	2 men X \$50.00 hr (8:30 a.m. – 12:20 p.m.)	\$100.00	\$375.00
Oct 11 2018	5 Hrs	Night Drifter / including deckhand (12:20 p.m. – 5:15 p.m.)	\$300.00	\$1500.00
Oct 11 2018	1.5 day	34 ft / Outboard	\$150.00 day	\$75.00
Oct 11-12 2018	15.75 Hrs	Night Drifter / including deckhand - 1/2 rate (5:15 p.m. – 9:00 a.m.)	\$150.00	\$2362.50

Figure 7 – Screen capture from Rilaur invoice dated 31 October 2018

The Pacific Pro Dive Ltd. (“Pacific Pro”) invoice is dated 11 October 2018. It includes the following list of services rendered and charges:

Description	Qty	Rate	Amount
Surface Supply Labour - Golby , 11:00-1630 - 10/11/18	5.5	173.75	955.62
Surface Supply Labour - Bright , 11:00-1630 - 10/11/18	5.5	173.75	955.63
Surface Supply Labour - Coltart , 11:00-1630 - 10/11/18	5.5	173.75	955.63
Surface Supply Labour - Wills , 11:00-1630 - 10/11/18	5.5	173.75	955.63
Mileage - Bright - Nanaimo:Campbell River	285	0.80	228.00
Mileage - Coltart - Comox: Campbell River	130	0.80	104.00
Misc. Rental - Cylinders Aluminum 80	9	15.00	135.00
Lift Bag (2 x 2000#, 2 x 4000#)	4	300.00	1,200.00
Supplies (Decon. Line)	1	85.00	85.00
Pump 2" Gas	2	150.00	300.00
GST On Sales		5.00%	277.13

Figure 8 – Screen capture from Pacific Pro invoice dated 11 October 2018

The Beaufort Range Marine Group Ltd. (“Beaufort”) invoice is dated 22 December 2018. It contains the following annotated list of services rendered and charges:

Project Management Services, Logistics and Support required the after raising of the wooden vessel "Halary" at Campbell River Fishermans Wharf on Thursday October 11/18 x 17	#85/HR	\$1,445.00
OCT. 12- Travel to CR, Unstep mast, rigging, radar, exhaust, vent stacks and aft deck cover. Package and prepare for transport via Bowline Boat Moving for dry land storage in Comox. Prepare ground cover, unload and block vessel. Labour by 2 men. x 8	#45/HR	\$720.00
Trucking from Discovery Harbour Boat Ramp to Storage Yard in Comox		\$619.00 ✓
Labour and mechanical for removal of engine/gear, driveline, tankage, remaining fuel/oils, metals, electrical, hosing, deconstruct and package for transport to Comox Valley Waste Management for final disposal. x 63	#45/HR	\$2,835.00
Crane Truck service to remove engine/gear, fuel tanks, heavy metals and transport for recycling x 7		\$700.00
Hetherington Industries Ltd for pumping and pick up of old fuel/oil, oily bilge waters spill booms and pads		\$1,582.91 ✓
Trucking from storage to Comox Valley Waste Management site in Cumberland		\$600.00 ✓
Disposal Fees		\$1,244.25 ✓
Bundle of Spill Pads		\$85.00 ✓
Hyseas Bilge Cleaner x 4		\$47.72 ✓
<hr/>		
Meals while in Campbell River		\$40.66
Consumables and shop supplies (Missing one receipt \$10.11)		\$109.57 ✓
Storage, Boat stands, tarping ground cover and clean up x 3		\$450.00 /1047
Administration Fees and Service 10%		\$1,047.91
<hr/>		
Subtotal		\$11,527.02
GST		\$576.35
<hr/>		
Total		\$12,103.37

Figures 9 and 10 – Screen captures from Beaufort invoice dated 22 December 2018

Attached to the Beaufort invoice are 11 invoices and receipts from eight different subcontractors and suppliers, one of which is almost entirely illegible. These secondary invoices and receipts pertain to services and products described in Figures 9 and 10. In all cases, Beaufort paid GST and/or PST to its subcontractors and suppliers. The documents suggest that in several instances, Beaufort charged the CCG GST on top of amounts that had already been subject to taxes.

The Heatherington Industries Limited (“Heatherington”) invoice is dated 15 October 2018. It covers the disposal of four drums of waste sorbent material at a unit cost of \$160.00 per drum, as well as a documentation fee of \$5.00.

Finally, the Building Sea Marine (“BSM”) invoice is dated 23 January 2019. It covers a 22 October 2018 “Survey for Condition and Salvage Value”, including a survey report and photographs. It also purports to cover a “short email report”, which does not appear in full in the documentation submitted by the CCG, but which may be excerpted in the narrative (see Figure 1).

BSM survey report

The BSM survey report is titled “Survey for Condition & Salvage Value” and dated 23 January 2019. The main text of the report is seven pages long. It also includes an appendix containing 22 captioned colour photographs of the Vessel. The report contains the following work description:

The purpose of the survey was to sight the vessel externally & internally, as much as was physically possible and permitted by the state of the vessel, in order to determine the following:

- The current condition of the vessel;
- If the vessel could be efficiently repaired;
- If the vessel is a reasonable candidate for reconstruction; and,
- What is the residual value (if any) if the vessel was deconstructed.

The survey report indicates that the Vessel was positively identified as the *HALARY NO. 1*, a 1959-built former troller/gillnetter of approximately 31 feet in length and 10.26 gross tons, based on a Transport Canada official number carved into its wooden planks.

The survey report concludes with similar language to that incorporated into the narrative and captured at Figure 1.

The photographs included with the survey report illustrate its conclusions:

Figures 11 through 13 – Screen captures of captioned photographs from BSM survey report

Additional CCG internal documentation

The submission includes a single Personnel & Equipment Daily Log (the “Log”). The Log is dated 11 October 2018 and indicates that a single CCG ER employee remotely managed the response to the Incident that day from 08:30 to 16:00. The Log also shows that five bundles of sorbent boom, totaling 200 feet, were used.

The submission provides the following summary in support of claimed salary costs:

	Group & Level	Time (Hours)	Rate	COST	REFERENCE
	GT 04	7.5	43.76	328.20	As per Personnel log

Figure 14 – Screen capture of claimed salaries summary (name of CCG employee redacted)

Another summary is provided in support of claimed costs for pollution counter-measures equipment, namely five bales of sorbent boom at a cost of \$75.00 per bale.

Finally, the submission includes a single-page document showing the calculations used to determine the CCG’s claimed administrative costs.

DETERMINATIONS AND FINDINGS

The CCG submission presents potentially eligible claims under section 103 of the MLA

The Incident resulted in oil pollution damage suffered, or the threat of such damage, within the territorial seas or internal waters of Canada, as well as in costs and expenses to carry out measures to mitigate further damage. As a result, claims arising from the Incident are potentially eligible for compensation.

The CCG is an eligible claimant for the purposes of section 103 of the MLA.

The submission arrived prior to the limitation periods set out under subsection 103(2) of the MLA.

Some of the claimed costs and expenses arise from what appear to be reasonable measures taken to “prevent, repair, remedy or minimize” oil pollution damage from a ship, as contemplated under Part 6, Division 2 of the MLA, and are therefore potentially eligible for compensation.

Accordingly, the submission presents claims that are potentially eligible for compensation under section 103 of the MLA.

Identification of the Vessel

A brief investigation, including a search of Transport Canada records, was carried out in order to correctly identify the Vessel. No registration information related to a vessel named simply the “*HALARY*”, but a record does exist for a vessel named the “*HALARY NO. 1*”. The biographical details of that registration roughly match those of the Vessel: length of 9.51 metres compared to the 35 feet described by the CCG, and matching hull type and material.

It is therefore concluded that the Vessel was in fact the *HALARY NO. 1* identified in the BSM survey report and in Transport Canada records under the official number 395610.

Findings on the evidence submitted by the CCG

The facts of the Incident as set out by the CCG are generally accepted

The CCG included with the submission a narrative which sets out the facts of the Incident in some detail. This description of the material events is accepted as generally accurate.

The pollution threat posed by the Vessel and the measures taken in response to same

It is accepted that the Incident as described by the CCG involved both an oil discharge with the threat of environmental damage as well as the threat of future discharges. While the Vessel remained submerged, the CCG learned from its apparent owner that it contained up to 200 gallons of fuel oil. Further, it was reasonable to assume that additional oils would have been present in its machinery. The Vessel continued to discharge oils, as evidenced by continued upwelling and sheening, as well as the volume of soiled sorbent materials

that later required disposal. As a result, it is concluded that all of the steps taken up to and including the removal of the Vessel and its transportation to the Beaufort facility, where it could be inspected and assessed, were reasonable measures taken with respect to a demonstrated oil pollution threat. The costs associated with these measures are also considered reasonable.

Apart from a claim for the cost of sorbent materials deployed on 11 October 2018, which is accepted as reasonable, the CCG does not seek to recover any costs associated with the efforts of its Lifeboat Station personnel.

The CCG has presented insufficient evidence on its decision-making process

The CCG's submission includes minimal direct evidence with respect to its decision-making during the response to the Incident, which was managed remotely and undertaken almost entirely by contractors. Because the reasonableness of a measure depends largely upon the rationale for taking that measure, contemporaneous evidence of the decision-making process is very important.

The CCG's decision-making process after 12 October 2018 is not supported by direct evidence. Problematically, the narrative suggests that the Vessel was deconstructed in large part because it was valueless and its apparent owner lacked the capacity or willingness to take action.

The deconstruction of the Vessel is not accepted as a reasonable oil mitigation measure

Generally, the CCG can recover for the reasonable costs associated with deconstructing and disposing of an entire vessel where it is shown that the vessel itself is an oil pollution waste. With wooden vessels, hull planking may in some cases be substantially soaked with oils, to the extent deconstruction becomes a reasonably cost-effective avenue to ensuring that the vessel in question no longer poses a threat to the marine environment. To establish this, direct evidence is required as to a vessel's oiled state.

The only recorded inspection of the Vessel was carried out by BSM, whose surveyor was not specifically tasked with assessing oil pollutants on board. While the survey report lists estimated volumes of oil pollutants in the Vessel's various tanks and machinery, the likely presence of fuel in tanks and engine oils in closed systems is seldom sufficient to render compensable the costs of deconstructing an entire vessel.

The survey report also notes that the Vessel's machinery space bilge was "lightly fouled with oil and fuel." The photographs taken by BSM appear to show small quantities of dark, apparently oily fluid in the Vessel's bilge. This too is inconclusive as support for deconstruction. The Vessel had recently been submerged, and the presence of oily water and light fouling in its bilge does not mean that its planks were saturated with oils.

Finally, the Beaufort invoice and those provided by its subcontractors and suppliers suggest that during the deconstruction process the oils and oily water from within the Vessel were pumped out and disposed of through appropriate waste streams. Soiled sorbent materials used throughout the response appear to have entered similar streams, but there is no indication that any actual components of the Vessel were disposed of in a manner that

might suggest oil saturation. Instead, Beaufort personnel appear to have used a bilge cleaner product on the Vessel’s lightly oiled spaces.

On the evidence presented by the CCG, a finding cannot be made that the Vessel’s planks were saturated with oils. As a result, many of the claimed contract services costs associated with the work done by Beaufort and its various subcontractors have not been established as reasonably incurred with respect to mitigating oil pollution, for the purposes of Part 7 of the MLA. The specifics of this finding are set out below.

CLAIM AND OFFER DETAILS

The CCG presented its claimed costs and expenses to the Fund across four schedules, each of which is outlined below.

Under Part 7 of the MLA, the measures taken to respond to an oil pollution incident and the resulting costs must be reasonable in order to be compensable by the Fund. To the extent that reasons are not already set out in this letter, the below explains why certain portions of the CCG’s claim have been allowed while others have been disallowed.

Schedule 2 – Contract Services Claimed: \$24,701.49

The CCG’s contract services in this case were divided among five companies:

Company	Invoice Date	Work Description	Claimed
Rilaur	2018-10-31	Assess Incident, deploy sorbents, raise and remove Vessel	\$4,528.13
Pacific Pro	2018-10-11	Raise Vessel	\$6,151.64
Beaufort	2018-10-22	Derig, deconstruct, and dispose of Vessel and contents	\$12,103.37
Heatheringington	2018-10-15	Disposal of four drums of soiled sorbent materials	\$677.25
BSM	2019-01-23	Survey Vessel and report on condition	\$1,241.10

Table 1 – Summary and brief description of claimed contract services

The CCG submission did not include some important contractor documentation such as statements of work or agreements on rates. While in this case the documentation provided is sufficient to establish the reasonableness of some of the claimed costs, such omissions could in other cases reduce the likelihood of a claim being accepted. The absence of presumably available evidence to establish a claim can result in an adverse inference being drawn where the claimed expense is not otherwise adequately supported.

For the reasons set out above, the amounts paid to Rilaur, Pacific Pro, and Hetherington are allowed in full.

Because CCG ER personnel were never on scene to personally inspect the Vessel, the decision to have it professionally surveyed is considered reasonable. The full cost of the BSM survey report cannot be accepted, however. The surveyor’s tasking from the CCG was excessively broad and does not expressly mention oil pollution. Nevertheless, the

report yielded some information on oil pollutants that would have been useful to the CCG’s decision-making process, although the bulk of its contents were not relevant. As the CCG did not attend at the scene, the survey report seems to have stood in for an inspection of the Vessel for oil pollution and non-oil pollution related issues. Half of the amount claimed with respect to the BSM survey report, or \$620.55, is accepted.

For the reasons set out above, only the Beaufort costs clearly associated with assessing and mitigating the pollution threat posed by the Vessel have been considered for compensation.

Beaufort paid various amounts to eight different subcontractors and suppliers: Bowline Boat Moving Ltd. (“Bowline”), Comox Valley Waste Management (“CVWM”), Sound Marine (“Sound”), Comox Valley Hydraulic & Industrial Supply Ltd. (“CVH”), Canadian Tire (“CT”), Midland Tools (“Midland”), and Terrapure. A final subcontractor invoice is mostly illegible, but appears, based on the descriptions in the Beaufort invoice, to have been for a crane truck service to remove and transport the Vessel’s engine, fuel tanks, and other heavy metal components.

The below table summarizes the work and items covered by those invoices (see also the descriptions in Figures 9 and 10), with all listed costs including any taxes charged to Beaufort. The table also sets out allowed costs, with those not allowed either lacking sufficient supporting detail or having been found unrelated to oil pollution mitigation.

Company	Invoice Date	Work Description	Paid	Allowed
Bowline	2018-10-12	Transport Vessel to Beaufort facility	\$619.00	\$619.00
CT	2018-10-12	“Tools + shop supplies”	\$36.79	\$0.00
CT	2018-10-12	“Tools + shop supplies”	\$40.28	\$0.00
Terrapure	2018-11-06	Dispose of sorbent materials	\$341.25	\$341.25
Terrapure	2018-11-08	Remove and dispose of 1,055L oily fluids	\$1,257.91	\$1,257.91
Sound	2018-11-08	4 x 4L jugs of Hyseas Bilge Cleaner	\$53.75	\$53.75
Midland	2018-11-08	Disposable coveralls	\$22.38	\$22.38
CVH	2018-11-27	Bundle of 200 spill pads	\$89.25	\$89.25
Bowline	2018-12-06	Transport deconstructed Vessel to landfill	\$630.00	\$0.00
CVWM	2018-12-06	Disposal of Vessel	\$1,244.25	\$0.00
?	?	Remove and recycle machinery and tanks	\$735.00	\$0.00
Totals			\$5,069.86	\$2,383.54

Table 2 – Summary and brief description of Beaufort’s subcontractor and supplier invoices, and those costs allowed

On top of the subcontractor and supplier costs set out in Table 2, the CCG paid Beaufort an administration markup of 10%, which in many cases was charged on top of GST and/or PST already paid by Beaufort. This was in addition to a \$1,445.00 pretax charge (17 hours at an hourly rate of \$85.00) for “Project Management Services, Logistics and Support”. These charges are problematic in that they appear to be duplicative. Insufficient detail is provided on the project management charge, and no justification is offered in support of its high hourly rate. Accordingly, it is rejected in full. While the 10% administrative markup would generally be considered reasonable, it was been applied in some cases on top of GST

and/or PST, which resulted in the CCG paying tax on tax. Accordingly, this markup is accepted on top of the allowed subcontractor and supplier costs, for a total of \$238.35, without the application of GST.

Additional Beaufort labour was billed at \$45.00 hourly. On 12 October 2018, two Beaufort personnel travelled to Campbell River, working a total of 16 hours to derig the Vessel and prepare it for transportation to the Beaufort facility (\$720.00 pretax plus \$40.66 for meals, presumably inclusive of tax). These amounts are considered reasonable and are accepted in full, coming to \$796.66, including GST on labour.

In the course of their deconstruction and pollutant removal operation, Beaufort personnel worked 63 hours (\$2,835.00 pretax). In the absence of a specific breakdown, it is considered that 16 hours, or a full day of labour for two personnel, was sufficient to remove the oil pollutants from the Vessel. Accordingly, the amount of \$756.00, including GST, is allowed with respect to this charge.

Finally, Beaufort billed \$450.00 pretax for the storage of the Vessel at its facility, including “stands, tarping ground cover and clean up x 3”, suggesting that the whole operation took three days. It is considered that a single day would have been sufficient to remove the oil pollutants from the Vessel, so this portion of the claim is allowed in the amount of \$157.50, which includes GST.

In summary, the claimed Beaufort costs are allowed in the amount of \$4,332.05, which amount comprises \$2,383.54 in subcontractor and supplier costs; \$238.35 in administrative markups on that amount; \$796.66 in labour and meal costs associated with preparing the Vessel for transport from Campbell River to the Beaufort facility; \$756.00 in labour costs associated with removing oils from the Vessel; and \$157.50 for Vessel storage and clean-up.

The following table presents a summary of claimed and allowed contract services costs:

Company	Claimed	Allowed
Rilaur	\$4,528.13	\$4,528.13
Pacific Pro	\$6,151.64	\$6,151.64
Beaufort	\$12,103.37	\$4,332.05
Heatherington	\$677.25	\$677.25
BSM	\$1,241.10	\$620.55
Totals	\$24,701.49	\$16,309.62

Table 3 – Summary of claimed and allowed contract services costs

The contract services portion of this claim is allowed in the amount of \$16,309.62.

Schedule 4 – Salaries – Full Time Personnel Claimed: \$328.20

A single CCG employee worked 7.5 regular salaried hours on 11 October 2018 in order to remotely manage the response to the Incident. This is considered a reasonable effort allocation to facilitate measures taken in response to oil pollution.

The salaries portion of the submission is allowed in its entirety.

Schedule 11 – Pollution Counter-measures Equipment Claimed: \$375.00

The claim submission indicates that CCG Lifeboat Station personnel, who were first on scene following the Incident, deployed sorbent materials around the Vessel. The CCG claims for the cost of five bundles of sorbent boom, at a total cost of \$375.00. It is accepted that this cost was reasonably incurred to facilitate measures taken in response to oil pollution.

The pollution counter-measures portion of the submission is allowed in its entirety.

Schedule 13 – Administration Claimed: \$8.45

The CCG submission advances a claim for administration costs at a rate of 3.09%, applied against claimed salaries, less the 20% markup associated with the costs of the employee benefits plan.

The 3.09% rate is generally accepted as reasonable, and the dollar amount sought here is also considered reasonable in the context of the overall response to the Incident.

The administration portion of the submission is allowed in its entirety.

OFFER SUMMARY AND CLOSING

The following table summarizes the claimed and allowed expenses:

Schedule	Claimed	Allowed
2 – Contract Services	\$24,701.49	\$16,309.62
4 – Salaries – Full Time Personnel	\$328.20	\$328.20
11 – Pollution Counter-measures Equipment	\$375.00	\$375.00
13 – Administration	\$8.45	\$8.45
Totals	\$25,413.14	\$17,021.27

Table 4 – Summary of amounts claimed and allowed

Costs and expenses in the amount of \$17,021.27 are accepted and will be paid together with statutory interest calculated at the date of payment if the Offer is accepted.

In considering this Offer, please observe the following options and time limits that arise from section 106 of the MLA.

You have 60 days upon receipt of this Offer to notify the undersigned whether you accept it. You may tender your acceptance by any means of communication by 16:30 Eastern Time on the final day allowed. If you accept this Offer, payment will be directed to you without delay.

Alternatively, you have 60 days upon receipt of this Offer to appeal its adequacy to the Federal Court. If you wish to appeal the adequacy of the Offer, pursuant to Rules 335(c), 337, and 338 of the *Federal Courts Rules*, SOR/98-106 you may do so by filing a Notice

of Appeal on Form 337. You must serve it upon the Administrator, who shall be the named Respondent. Pursuant to Rules 317 and 350 of the *Federal Courts Rules*, you may request a copy of the Certified Tribunal Record.

The MLA provides that if no notification is received by the end of the 60-day period, you will be deemed to have refused the Offer. No further offer will issue.

Finally, where a claimant accepts an offer of compensation, the Administrator becomes subrogated to the claimant's rights with respect to the subject matter of the claim. The claimant must thereafter cease any effort to recover for its claim, and further it must cooperate with the Fund in its subrogation efforts.

Yours sincerely,

Mark A.M. Gauthier, B.A., LL.B.
Deputy Administrator, Ship-source Oil Pollution Fund