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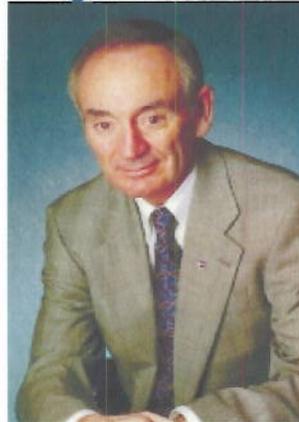
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Budget 2005

February 2005



As you know, the federal Budget, announced February 23, 2005, contained a number of announcements that impact our department, including new investments in our programs and initiatives, and some key changes to our activities, to better reflect the priorities of the federal government and Canadians.

Over the last few years, we have worked hard to refocus our departmental priorities to meet the needs of our stakeholders and Canadians. This work has helped strengthen our plans for the future. Our 2005–2010 Strategic Plan is the direct result of the comprehensive examination of the department carried out over the last few years.

Quite simply, the Strategic Plan aligns our activities around *what Canadians expect of DFO*, and how we plan to meet these expectations over the next five years.

Specifically, the Plan outlines three key outcomes for Canadians:

- safe and accessible waterways;
- healthy and productive aquatic ecosystems; and
- sustainable fisheries and aquaculture.

Our work has also helped the department contribute to the Government of Canada's Expenditure Review initiative, in which all federal departments were asked to review expenditures and identify areas that could contribute to the government's goal of reallocating from areas of lower priority to those of higher priority.

Together with the new Strategic Plan, the departmental changes that were announced as part of the Government of Canada's February 2005 Budget and the new investments in our activities represent important progress in the our efforts to build an effective, forward-looking organization whose work is directly in line with fiscal realities and the highest priorities of Canadians.

Investing in DFO

The significant investments contained in the Budget represent a clear recognition of the importance that the Government of Canada places on fisheries, oceans and aquaculture issues — and of the high regard in which our department's work is held.

The following are key areas of funding for DFO announced in the Budget:

Oceans Action Plan

\$28 million over two years will be invested in the first phase of Canada's Oceans Action Plan. This plan will enable government-wide action to develop Canada's oceans resources for the benefit of coastal communities while protecting fragile marine ecosystems.

The Plan will support the development of integrated oceans management plans in all three of Canada's oceans. These plans will recognize and build on the needs and interests of the growing and varied stakeholders who rely on the oceans for their income as well as for the social, environmental and cultural needs of their respective communities. In particular, the Plan will support sound ecosystem science as the basis for integrated decision-making, inclusive governance arrangements that meet local needs, and protection for the most fragile oceans environments and species through a national network of Marine Protected Areas.

Canadian Coast Guard

\$276 million over five years will be invested in the Canadian Coast Guard to begin the modernization of its fleet. This will involve the construction of six new large vessels, including two offshore fisheries-research vessels and four midshore fisheries patrol vessels. These vessels will enhance our ability to collect scientific data essential to fisheries management, and improve enforcement of fisheries regulations.

As part of the Government of Canada's commitment to take aggressive steps to enhance the security of the nation's coasts and waterways, the CCG will also receive sufficient funding to allow for the construction and operation of four additional midshore maritime patrol vessels for the Great Lakes and the St. Lawrence River. As an interim measure for this area, funds will be provided to ensure dedicated CCG vessels are available for joint RCMP/CCG patrols and training.

Combatting Overfishing

\$15 million annually will be invested to improve international fisheries governance, including off Canada's east coast. Overfishing, collapsing fish stocks and the degradation of marine ecosystems are complex global problems that require international attention, co-operation and action.

Canada's International Fisheries and Governance strategy will pursue more effective bilateral relations with key fishing nations as well as better management and broader accountability across all regional fisheries management organizations, including NAFO. Canada will work with international partners to achieve a better understanding of gaps, opportunities and impediments to protecting the biodiversity of the world's oceans.

Canadian leadership on improving oceans governance will lead to institutional changes that will not only support global efforts to protect high seas resources and ecosystems, but will also serve Canada's interests as a coastal state in ensuring that resources outside Canada's purview are managed effectively.

National Aquatic Animal Health Program

\$59 million over five years will be invested in the jointly managed DFO-CFIA National Aquatic Animal Health Program (NAAHP). Through an enhanced surveillance and certification regime for aquatic species, the NAAHP will help protect Canada's seafood exports, and bolster Canada's position in the fish and seafood markets of the world.

Atlantic Salmon Endowment Fund

\$30 million will be invested to create an Atlantic Salmon Endowment Fund. The Fund will be used to fund the work of watershed and community groups engaged in Habitat enhancement, monitoring and salmon conservation initiatives. As has been demonstrated in British Columbia, such funds are highly leveraged through the work of volunteer and community groups. This approach is consistent with the department's move to increased shared stewardship with stakeholders.

Invasive Alien Species

\$85 million over five years will be invested in the Environment Canada-led Invasive Alien Species Strategy, to minimize the risk of aquatic invasive species in Canadian waters, including **\$10 million over five years** being invested in the Sea Lamprey Control Program. These investments will protect our environment, restore and maintain native species, and prevent new invasions of these harmful species.

Expenditure Review & DFO

The Budget also included announcements about our department's contribution to the federal government's Expenditure Review initiative.

In the February 2004 Speech from the Throne, the Government of Canada made a number of clear commitments on good governance and the better management of federal resources. In particular, it set "smart spending" as a top priority. Simply put, smart spending means using taxpayers' dollars efficiently, managing federal programs effectively, and — most importantly — ensuring that government priorities reflect Canadian priorities.

To oversee this process, the Government of Canada established the Expenditure Review Committee. Each department submitted a detailed list of recommended savings to the Committee, which then carefully reviewed each submission and measured each recommendation against a list of three principles:

- **value for money** — ensuring that Canadians are getting good value for their tax dollars;
- **efficiency** — finding new, innovative ways to deliver programs to enhance services while lowering their cost; and
- **balance** — ensuring that any changes are regionally balanced, maintain or enhance federal presence, and have a minimal impact on overall government operations.

To ensure that our work directly contributes to these three objectives, and that the department contributes to the federal government's savings goal over a five-year period, we proposed a number of changes to our activities to the Expenditure Review Committee. It is important to note that these proposals are directly in line with the priorities outlined in our Strategic Plan.

The Government of Canada reviewed our proposals, and these changes have now been announced as part of the Government of Canada's February 2005 Budget.

1. Modernizing the Canadian Coast Guard

The Canadian Coast Guard (CCG) provides a number of services to save lives, facilitate maritime commerce, protect the aquatic environment and support

maritime security. With Canada's waters busier than ever, the CCG's capacity to deliver its services is being pushed to its limits.

In December 2003, the Government of Canada announced that the CCG would become a Special Operating Agency (SOA) within DFO. This will allow the CCG to focus on its core activities, while continuing to provide the valuable services that Canada's marine community has come to expect.

To address these changes and challenges, the Coast Guard developed a modernization strategy, to ensure that it can continue delivering on its mandate and providing essential services to Canadians.

The February Budget announced three initiatives to help the CCG move forward on this modernization process, and ensure that their services are as efficient and cost-effective as possible in the years to come.

a. *Modernizing Marine Aids*

This initiative is the latest phase in the CCG's ongoing Marine Aids Modernization (MAM) program. Through MAM, the CCG is continually examining ways to further integrate new and emerging technologies, find client-service innovations and alternative service-delivery mechanisms, and foster stronger partnerships throughout the marine industry.

Under the new phase of MAM, the Coast Guard will reduce expenditures by \$14.5 million annually by 2008–09, by aiming to contract out at least 50 per cent of its aids to navigation to private firms able to do the job. This will save vessel time and resources for shore-based infrastructure, and for vessel maintenance and repair. We expect that this phase of MAM will impact a limited number of employees, and we will seek to deal with these through attrition.

b. *Helicopter Rationalization*

The CCG will retire five helicopters from its fleet. This will allow the CCG to reduce growing overhead costs, and actually *increase* the number of flying hours on the remaining helicopters through saved resources, while further reducing expenditures by \$700,000 annually by 2006–07.

c. *Ice Information Optimization*

The CCG's Icebreaking Program requires quality information to maximize the operation of its icebreakers and provide effective ice-routing advice to marine shipping so that they may navigate safely around difficult areas of ice.

In the past, part of this information was provided by a dedicated aircraft. The February Budget announced that DFO's aircraft Ice-Reconnaissance Program will be combined with Transport Canada's aircraft Pollution Surveillance Program, resulting in an annual saving of \$1 million for the CCG starting in 2005–06.

2. Habitat Modernization

Over the last 18 months, we have developed and implemented an Environmental Process Modernization Plan (EPMP) as a major contribution to the Government's Smart Regulation agenda. The modernization is intended to make our fish-habitat protection program more results-based, transparent, effective and efficient. Implementation is well underway and many of the objectives of the modernization plan are already being met and being well-

received. Moreover, there have already been additional benefits such as improved relationships with provincial, territorial and municipal governments.

The EPMP is based on a risk-management framework that enables us to refocus our resources on projects that pose a high risk to fish habitat, while providing guidance to Canadians to address lower-risk activities.

In addition to the changes included in the EPMP, we are also moving to modernize compliance and enforcement actions related to fish habitat protection. We want to increase education, stewardship, and monitoring as a means of reducing the need to rely on enforcement action. Sometimes people with the best of intentions do not even realize they are violating the rules. Education and stewardship are essential tools in closing this gap. Charges, although sometimes necessary, are not always the most effective or efficient compliance and enforcement tool. The modernization of the habitat program together with additional education, stewardship, and monitoring will enable program objectives to be achieved at a reduced overall cost.

To support this new focus, the Government of Canada announced in the February Budget two changes to our Habitat management Program.

a. *Creating a National Risk-Management Framework*

Using the national risk-management framework, we will streamline review processes, focus our resources on projects that pose a higher risk to fish habitat, improve the transparency of our program objectives, and provide clear guidance to Canadians to better protect fish habitat. These changes, once fully implemented, will save some \$3 million annually.

b. *Modernizing Compliance*

We will also increase education, stewardship and monitoring to focus on more effectively protecting fish habitat. These changes to the program will enable program objectives to be achieved at reduced overall cost for an annual net saving of \$4 million once fully implemented. Moreover, the changes should reduce the need to lay charges if education, stewardship and monitoring activities achieve their objectives. This change would enable Fishery Officers to focus on enforcement in critical areas such as overfishing and poaching, and assisting habitat-management only in cases where charges are the most appropriate compliance and enforcement tool available.

Exact implementation details for these changes are being worked out and will be discussed with employees and their bargaining agents. Expected staff impacts are as follows:

- 42 habitat management positions affected by the move away from low-risk referrals; and
- up to 80 Fishery Officers may be affected in a variety of ways over the five-year period (including, for example, relocation).

Reductions in both Habitat Management staff and Fishery Officers may be partially offset by the creation of 40 new habitat stewardship and monitoring officer positions. On a net basis, the reduction is expected to amount to approximately 82 positions.

3. Science Renewal

The implementation of Science Renewal currently underway is ensuring the work of the Science sector is aligned with the strategic direction of the

department and the Government of Canada. The sector will restructure its programs and activities to become more innovative and flexible, in order to ensure a vibrant organization with long-term sustainability.

The demands for relevant scientific information and advice are increasing on a broad range of issues. Our Science Program must keep pace with these new and emerging priorities.

The ecosystem-based management approach demands looking at the aquatic environment in a holistic way. It requires looking at stock abundance through a multi-species lens, and ensuring aquatic animal health, the health and nature of the habitat in which they reside and the genetic diversity of species. It also requires a close examination of the human impacts on the ecosystem.

This ecosystem-based approach to science cannot be done by DFO alone. Governments at all levels, industries, academics and others must all work together to contribute to the long-term sustainability of Canada's aquatic environment.

To support this renewed direction for our Science Program, the Government of Canada's February 2005 Budget announced a number of changes to the Program.

a. *Refocusing Stock Assessment*

In the past, we focused our science activities on a species-by-species assessment. It is now widely acknowledged that this approach is limited, and that a holistic, multi-species approach to stock assessment provides a more accurate picture of the state of the fisheries resource. This more comprehensive approach is known as the ecosystem approach. It considers not only the state of a single species, but also takes into account the entire ecosystem, including environmental factors, and the range of other species that live in the same waters.

We are committed to focusing our efforts on this ecosystem approach, and working with the fishing industry and First Nations to build their capacity to take on more monitoring and assessment responsibilities in the area of single-species stock assessment.

This program re-design is a natural evolution of our relationship with our stakeholders. In some areas, the industry is already involved in data collection and surveys, and, in some regions, that contribution is substantial. We will assume an enhanced role in establishing, policy, guidelines and assessment standards.

To ensure a smooth transition, we will work closely with the fishing industry and First Nations over the next five years to strike the right balance of increased stewardship and collaboration in Canada's stock assessment regime.

The program re-design should reduce our expenditures by \$6 million annually by 2009–10. It also means a reduction of about 75 positions needed to do this type of work across the country.

b. *Refocusing Ocean Science*

Over the next five years, DFO Science will concentrate on the oceans sciences work supporting the Oceans Action Plan and other priorities of the department and government. In areas that can best be delivered by academic partners, we will gradually reduce our involvement, and consult with academic partners who may be interested in assuming the work to ensure a smooth transition.

This change will reduce departmental expenditures by \$2 million annually by 2006–07. It will also impact some 20 staff positions.

c. *Rationalizing Toxic Chemicals Program*

Our Toxic Chemicals Program will be consolidated into two main laboratories and will focus on the DFO mandate – the biological effects of toxic chemicals on fisheries resources. The refocused program will be in a better position to attract outside partners because its scientific capacity will be concentrated. Additional partners will result in more comprehensive science using fewer tax dollars.

This change will reduce departmental expenditures by \$2 million annually by 2006–07. It also means that some 20 fewer positions will be focused on the Toxic Chemical Program.

d. *Centres of Excellence for Science*

Over the next five years, the creation of Centres of Excellence (COEs) for science program delivery will reduce the need to have all Science program functions located at all existing facilities. Virtual and physical COEs will enhance the possibilities of collaboration within the Science program, with universities and with industry because the scientific expertise will be consolidated and will be better coordinated.

The efficiencies will reduce departmental expenditures by \$1 million annually by 2007–08 and provide opportunities to reduce the number of staff working in these areas. The costs associated with capital equipment, overhead and program management will be included in the savings.

e. *Science and Technology Youth Internship Program*

Starting in 2005–2006, DFO will no longer participate in the Science Horizons – Science and Technology Youth Internship Program (S&T YIP). This program is offered under Human Resources and Skills Development Canada's Career Focus program – a component of the federal Youth Employment Strategy. DFO's S&T YIP program is a collaborative effort with Canadian universities, colleges, the private sector and other non-governmental organizations, which offers young scientists and post-secondary graduates hands-on experience under the mentorship and coaching of experienced scientists and program managers. The program supports external internships annually.

While DFO recognizes the important role S&T YIP has played in providing support to youth seeking to pursue careers in aquatic and oceanic sciences by allowing them to gain work experience via this program, with realignment within the Science programs, it will no longer be possible for the department to provide the support necessary for the continuation of this program. The department will continue to employ students through the Federal Student Work Experience Program (FSWEP), co-op programs and other programs geared to providing work experience to young people.

f. *At-Sea Science Program*

Science program realignment, combined with refocusing stock assessment and monitoring activities, will provide the opportunity to consolidate science data-collection on one less Canadian Coast Guard platform. This will result in the removal of one fisheries research trawler on the east coast, moving from three to two.

4. Fisheries Management Renewal

Fisheries Management Renewal, as reflected in recent DFO policy, aims to re-define the relationship with stakeholders from one of government consulting them and then having the department or the Minister make the decisions, towards resource users having a greater say on what services are needed to manage their fisheries and how they might best be delivered. Moving DFO into a oversight position will help that process by engaging the fishers themselves in decisions on the best way to achieve needed outcomes and the best way to deliver the needed controls and measures.

Consistent with this vision and the public's desire to take part in fisheries stewardship and co-managing the resource, we are transferring some financial responsibilities to industry. The February Budget announced three changes to our Fisheries Management activities to support these new directions.

a. *Transferring Fishing-Gear ID and Logbook Costs to Industry*

We will transfer the costs of fishing-gear identification and fishing logbooks to industry over the next 12 to 18 months. For instance, gear tags — which are needed primarily by lobster and crab fishers — will now cost fishermen about 12 cents each. This change will reduce departmental expenditures by \$500,000 annually by 2007–08.

b. *Transfer of Costs of At-Sea Observer Program to Industry*

We will transfer financial responsibility for the formally cost-shared At-Sea Observer Program to the fishing industry over the next two years. This program is aimed at protecting and conserving the fisheries resource; in doing so, it provides direct economic benefits to the fishing industry.

While we used to pay one-third of the cost, the program was delivered by DFO contracting services and requiring fishers to use specific companies. The new model will provide more choices and competition by moving DFO to standard settings and certification in lieu of service provision and cost-sharing. This makes good sense for Canadian taxpayers. We will continue to monitor and oversee the program. This change will reduce departmental expenditures by \$2 million annually by 2007–08.

c. *Reallocation of Marshall Funding*

In 2005–06, we will reallocate \$10 million in funding from the department's *Marshall* Response Initiative (MRI). This amount represents funding that will not be required to meet the purposes of the MRI. The sunset program was intended for a limited period of time. It was a three-year initiative, and DFO's mandate to negotiate new fisheries agreements ended March 31, 2004.

Improving Federal Service Quality and Efficiency

The government also announced a number of cross-cutting initiatives, including the creation of Service Canada, which will provide a single-window delivery of federal services by phone, on the Internet and in person. This initiative will improve the services Canadians receive at the first point of contact and improve efficiency across government.

DFO has not been identified as one of the departments transferring client-service locations to Service Canada during its start-up phase. However, over time, it is expected that most services to Canadians will be handled under the

Service Canada umbrella. We will share information with staff as it becomes available.

The government will also introduce a shared-service approach to some areas of information technology, human resource management, and financial services to improve the delivery of internal administrative services, increase operational efficiency, and make consistent information available for decision-making within departments and for the government as a whole.

In the coming months, we should learn more about what services will be consolidated and timeframes for implementation. Ultimately, this could mean that positions move from DFO to a new agency, but this is probably some time down the road.

Conclusion

The Expenditure Review changes announced in the Budget — coupled with the significant investment in our programs — represent a way of ensuring that the department's spending is tightly focused on key activities that Canadians and the government expect us to deliver. While the funding received is good news for DFO, as it will enable us to take on important new activities, our department still faces financial challenges, and our work to address these challenges will continue.

As a result of these announcements, our workforce will undergo some adjustments to fulfill the Government of Canada's commitment to make better use of scarce resources and fund priorities through reallocation. It may be necessary to undertake some new hiring to support new activities, while reducing the workforce by approximately 200 positions in other areas. While the size of the Public Service is not expected to change much overall, some operations will have to shrink so that others can grow.

Initial assessments indicate that many of the reductions announced can be made by leaving some jobs unfilled when people retire or leave the department. Additional reductions can be achieved by moving impacted staff to new or vacant positions, which can involve retraining or relocation.

In some situations, the Workforce Adjustment Directive (WFAD) may need to be invoked. The WFAD, which was negotiated by the government and unions, guarantees affected personnel a reasonable job offer and provides for severance payments in the relatively rare cases where someone is laid off.

It is never easy when shifting priorities mean that some vacancies cannot be filled and some people have to find new jobs. I can assure you that DFO management is committed to dealing with such challenges in a way that is open, transparent, and respectful of employees and their unions. Management will share information as it becomes available, and will work closely with impacted employees and their unions to develop solutions that are fair and, to the greatest degree possible, considerate of individual circumstances and aspirations.

Analysis over the next few weeks will provide more detailed answers on potential impacts on individual employees. In the meantime, if you have any questions or concerns, you should not hesitate to contact your manager. You can also obtain Public Service-wide information from http://www.psmod-modfp.gc.ca/index_e.asp.

Larry Murray
Deputy Minister

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