



Ottawa, July 18, 2003

MEMORANDUM D11-10-2

In Brief

ADMINISTRATION OF THE *CUSTOMS AND EXCISE OFFSHORE APPLICATION ACT* – SEISMIC VESSEL ACTIVITY

This Memorandum outlines and explains a process to be adopted by the Canada Customs and Revenue Agency in the administration of a segment of the *Customs and Excise Offshore Application Act* (CEOAA). Specifically, this paper will identify seismic vessel activity and their reporting requirements to the CCRA. Procedures and monitoring processes covering seismic vessel activity in Canadian waters will be outlined and regional responsibility centres will be identified and defined.



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This Memorandum outlines and explains a process to be adopted by the Canada Customs and Revenue Agency (CCRA) in the administration of a segment of the *Customs and Excise Offshore Application Act* (CEOAA). Specifically, this paper will identify seismic vessel activity and their reporting requirements to the CCRA. Procedures and monitoring processes covering seismic vessel activity in Canadian waters will be outlined and regional responsibility centres will be identified and defined.

BACKGROUND

1. As dictated by the *Customs and Excise Offshore Application Act*, the Tariff Classification and International Nomenclature Division (TCIND) responds to requests for “duty exemptions” based on information submitted by owners/contractors/oil and gas companies using seismic vessels and their agents.
2. For a number of years, seismic survey vessels have been operating along Canada’s Atlantic and, more recently, Arctic coastlines. These vessels are engaged in locating potential oil and gas drilling sites on the continental shelf. Most survey activities take place outside Canadian territorial waters (12-mile limit) but within the Canadian Economic Zone (200-mile limit). This distinction is important because if a vessel enters the 12-mile limit, or attaches itself to the seabed within the Canadian economic zone, the vessel would then be subject to duty.
3. In order to operate along Canada’s coastline, vessels require a coasting trade license, which is obtained through the Carrier and Cargo Policy Section of the CCRA. When an application for a coasting trade license is submitted to the Carrier and Cargo Policy Section, a request for a “duty exemption” is also submitted by the importer/agent to TCIND. Generally, when the Carrier and Cargo Policy Section issues a license, it is with the proviso that appropriate duties and taxes are paid.

4. In the past, the applicant or their agent has submitted to TCIND, the name of the vessel, period of time it will be operating along the coastline, and the geographic coordinates of the seismic survey area. If the geographic coordinates are beyond Canadian territorial waters, a letter is issued by Customs advising the importer/agent that the vessel is not subject to a duty **as long as it conforms to the appropriate regulations specified by the *Customs and Excise Offshore Application Act*.**

GUIDELINES AND GENERAL INFORMATION

5. The regions began to administer this program effective April 1, 2003. The regions now have the authority to draft and sign the letters of approval (Appendix A). TCIND is responsible for developing the policy framework in consultation with the regions and stakeholders, and providing functional guidance to regional officers as required.
6. Due to the interaction between the importer/agent and the Customs’ regional office, the importer/agent sends their request under this program directly to the appropriate Customs region. Regional CCRA officials decide, based upon the criteria provided by the operator, whether or not the vessel is subject to duties, and respond by issuing a customized letter detailing this.
7. A special “letter of application” (Appendix B) has been designed outlining the requirements expected by the Agency. This application letter is available at the CCRA regional offices. Importers/agents can then apply directly to the appropriate regional office for confirmation of dutiable status. The regional office, after reviewing all of the information provided by the importer/agent, will then draft, sign, and issue the letter on behalf of the CCRA.
8. Operators should be aware that their activity and conformance to the terms of their letter from the CCRA will be monitored in a number of ways, including the use of an internet site entitled “Innav.” This site provides access to information on commercial marine traffic in Eastern and Northern Canada. This system will best suit our purposes for monitoring vessel activity and allow us to search for a given vessel; visualise the position of vessels on an electronic chart; and allow hyperlink access to internet sites of ports visited by the vessels.

9. Since April 1, 2003, regional officers are responsible for the following:

(a) drafting and issuing letters of concurrence to the importer/agent—the regions will keep one proof for records purposes and fax a copy to:

Carrier and Cargo Policy Section
 Import Process Division
 Operational Policy and Coordination Directorate
 Customs Branch
 Canada Customs and Revenue Agency
 8th floor, 191 Laurier Avenue West
 Ottawa ON K1A 0L5
 Telephone: (613) 954-7204
 Facsimile: (613) 957-9717

(b) responding to applications received from importers/agents—this includes verifying that the importers/agents have provided all information required;

(c) providing information on CCRA and the CEOAA to interested parties;

(d) consulting on an “as needed” basis with the Petroleum Boards—this includes occasionally referencing the Petroleum Boards’ respective websites and reviewing field operations reports submitted by the seismic operators;

(e) periodically monitoring for the exact whereabouts of any seismic vessel at any given time;

(f) reporting (annually) on incidents of non-compliance.

10. The importers/agent’s will be responsible for providing the following information with their application:

(a) vessel specifications, including the vessel’s name, registry and ownership;

(b) length of time the vessel will be conducting seismic activities in Canadian waters;

(c) exact coordinates and map of grid/area of exploration; and

(d) ship’s itinerary detailing any planned docking in Canadian ports.

11. Requirements

(a) The importer/agent must submit their application at least 2 to 3 weeks before exploration activities commence.

(b) Each application must be specific only for the vessel under contract.

(c) The importer/agent can identify 2 or more exploration periods, but must provide specific criteria for all scheduled activities.

(d) In the case of emergencies, i.e., unavailability of a seismic vessel, the importer/agent must make every attempt to contact the CCRA to inform them that the scheduled vessel will not be performing its activities. Subsequently, the letter of concurrence provided by the Department will be considered null and void.

(e) The importer/agent must understand that, if the vessel is found to not conform to its implied itinerary, the provisions of this letter will be revoked and all applicable taxes will be payable as soon as possible.

(f) The importer/agent may apply by mail, fax or electronic correspondence.

APPENDIX A

Importer's/Agent's Name and Address

File Number

Date

Dear **XXXXXX**:

This refers to your facsimile letter of **XXXXXX**, regarding the dutiable status of the seismic survey ship "**name of vessel**."

Following a review of the information before the Canada Customs and Revenue Agency, the "**name of vessel**" will not be subject to the assessment of customs duties. This is conditional that there will be no deviation from its' intended use for the following time period:

NAME OF VESSEL – period vessel will be in Canadian waters (from month to month).

Accordingly, the issuance of a coasting license in this instance would be made without regard to the criteria found in paragraph 4(1)(c) of the *Coasting Trade Act* (i.e. the payment of customs duties).

It should be noted that this decision only applies to the vessel indicated above. The dutiable status of other vessels wishing to operate on Canada's continental shelf will be determined on a case-by-case basis.

Should you have any additional questions, please do not hesitate to contact me, at **(XXX) XXX-XXXX**.

Yours sincerely,

(Name of Regional Officer)
 Client Services Officer
 Appropriate Region
 Canada Customs and Revenue Agency

cc: Carrier and Cargo Policy Section

APPENDIX B

Regional Office
Canada Customs and Revenue Agency

Dear **XXXXXX (name of Regional Client Services Officer)**:

This is our application regarding the dutiable status of the seismic survey ship “name of vessel.”

The **XXXXXX** will be conducting a 2-D seismic survey in waters off the eastern coast of Newfoundland and on the Labrador Shelf, exclusively in the Continental Shelf Zone, from September 30, 2003 to December 30, 2003.

NAME OF VESSEL – period vessel will be in Canadian waters (from month to month)

EXACT COORDINATES – include map of area of exploration

VESSEL’S FULL ITINERARY – include details re: any planned visits to Canadian ports

Declaration that, during the course of its’ operations, the vessel will at no time attach itself to the seabed and will not perform any operations in the Territorial Sea Zone.

Our client has advised that during its’ operations, the vessel will at no time attach itself to the seabed and will not perform any operations in the Territorial Sea Zone.

Based upon this information, please advise if the “**XXXXXX**” will be subject to the assessment of customs duties during its operations and whether the issuance of a coasting licence can be made without regard to criteria found in section 4(1)(c) of the *Coasting Trade Act*, i.e. payment of customs duties and GST.

We look forward to hearing from you on this matter.

Yours sincerely,

(Name of importer/agent)

REFERENCES

<p>ISSUING OFFICE –</p> <p>Trade Policy and Interpretation Directorate</p>	<p>HEADQUARTERS FILE –</p> <p>N/A</p>
<p>LEGISLATIVE REFERENCES –</p> <p>Memorandum D11-10-1 Interpretation of the <i>Customs and Excise Offshore Application Act</i> <i>Customs and Excise Offshore Application Act</i> <i>Coasting Trade Act</i> <i>Oceans Act</i> <i>Customs Act</i></p>	<p>OTHER REFERENCES –</p> <p>N/A</p>
<p>SUPERSEDED MEMORANDA “D” –</p> <p>N/A</p>	

Services provided by the Canada Customs and Revenue Agency are available in both official languages.

This Memorandum is issued under the authority of the Commissioner of Customs and Revenue.

