



OFFER LETTER

Ottawa, 29 October 2025
SOPF File: 120-1023-C1

BY EMAIL

Harbour Manager
Port Hardy Harbour Authority
6600 Hardy Bay Road
c/o P.O. Box 68
Port Hardy, B.C. V0N 2P0

Via email to porthardyharbour@gmail.com

RE: FV *Kehewin* — Port Hardy, Vancouver Island, B.C.
Incident date: 2024-02-04

SUMMARY AND OFFER

- [1] Ship and Rail Compensation Canada is an independent federal office, financed by industry, which helps manage two compensation funds: the Ship Fund and the Rail Fund. Ship and Rail Compensation Canada is the joint operating name for the two Funds. The Ship Fund helps manage the Ship-source Oil Pollution Fund, established by the *Marine Liability Act* (the “MLA”).
- [2] This letter responds to a submission from the Port Hardy Harbour Authority (“PHHA”) with respect to a fishing vessel named *Kehewin* (“Vessel”), which caught fire on or about 4 February 2024, at the Fisherman’s Wharf at Port Hardy, Vancouver Island, British Columbia (“Incident”).
- [3] On 24 October 2024, the Ship Fund received a submission from the PHHA. The submission advanced a claim totaling \$14,200.13 for costs and expenses arising from measures taken by the PHHA to respond to the Incident.

- [4] 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 PHHA pursuant to section 103 of the MLA.
- [5] The amount of \$10,796.42 (“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.
- [6] The reasons for the Offer are set forth below, along with a description of the submission.

THE SUBMISSION RECEIVED

- [7] The claim submission email includes a brief narrative which describes events relating to the Incident. It also includes invoices of the costs and expenses that the PHHA claims and corroborating documents. To the extent that the narrative and corroborating documents are relevant to the determination, they are reviewed below.

Narrative Summary

- [8] At approximately 0620h on Sunday, 4 February 2024, a fire started aboard the *Kehewin*. The hydrocarbons on board included approximately 300 gallons (1360 litres) of diesel and approximately 5 gallons (19 litres) of stove oil, as well as some hydraulic and lubricant oils.
- [9] The fire spread to a propane tank in the wheelhouse and then to other materials on board. Shortly thereafter, the propane tank and then two approximately 20-litre jerry cans exploded. The local fire department responded and put out the fire.
- [10] Because the closest shoreline has an active estuary, the PHHA pumped the oily water inside the *Kehewin* to external tanks and removed the Vessel from the marine environment by transporting it via trailer to a third-party location. It was later disposed of at a landfill partially deconstructed though largely intact.

Cost summary

- [11] The PHHA submission summarizes the claimed costs as follows:

Item	Amount claimed (\$)
1. JM’s Mobile Welding	484.50
2. K&K Electrical Ltd.	393.75
3. Aries Security Ltd.	614.25
4. Dan Carter	12,707.63
Total claim	14,200.13

Table 1: Summary of amounts claimed.

DETERMINATIONS AND FINDINGS

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

- [12] 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.
- [13] The PHHA is an eligible claimant for the purposes of section 103 of the MLA.
- [14] The submission arrived prior to the limitation periods set out under subsection 103(2) of the MLA.
- [15] 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.
- [16] Accordingly, the submission presents claims that are potentially eligible for compensation under section 103 of the MLA.
- [17] The extent to which the measures taken were reasonable must be evaluated.

The PHHA’s response operation was reasonable

- [18] The description of the material events in the PHHA narrative is accepted as accurate.
- [19] The *Kehewin* was in a highly compromised state and at considerable risk of releasing oil into the marine environment. Accordingly, the PHHA response to the Incident is accepted as reasonable.
- [20] However, it is not unusual for an event which causes an oil pollution incident to also cause other damage. In this case, there was a fire and a small explosion, which caused the oil pollution incident. Measures taken with respect to the oil pollution incident are covered by the MLA, but damage arising from the original fire and the explosion are not. Measures taken to fight a fire on a ship are typically considered measures taken to prevent oil pollution, as a fire on a ship is likely to lead to a discharge. By contrast, damage caused by that fire will typically not be covered unless the fire was itself caused by a ship-source oil pollution incident. Where the evidence does not establish that damages arose from operations directed to oil pollution prevention, as opposed to damage caused by the fire and explosion, those expenses are not accepted.

CLAIM AND OFFER DETAILS

- [21] The PHHA presented its claimed costs and expenses to the Ship Fund from four contractor invoices, each of which is outlined below. Supporting documents include invoices, photos,

an Incident report, and a moorage agreement.

[22] Under Part 7 of the MLA, the measures taken to respond to an oil pollution incident and the resulting costs must be reasonable and established in the evidence in order to be compensable by the Ship Fund.

Item 1 – JM’s Mobile Welding Claimed: \$484.50

[23] JM’s Mobile Welding was contracted to repair or replace the fire extinguishers and associated case which were damaged in the fire. Fire equipment used in response to a fire onboard a ship can often be compensable as responding to a ship on fire helps mitigate the risk of a discharge of oil.

[24] In this case, the invoice indicates that the cost is for the replacement (not recharge) of fire extinguishers and the replacement of their storage cases. That is understood as indicated that these items were damaged by the fire, rather than that the extinguishers were discharged during firefighting efforts. As the fire itself was not caused by a discharge of oil into the water, damage caused by the fire is not considered to be compensable. Therefore, this item is not accepted.

[25] The JM’s Mobile Welding costs are rejected.

Item 2 – K&K Electrical Ltd. Claimed: \$393.75

[26] K&K Electrical Ltd. was contracted to replace the electrical shore power connection. The evidence does not establish that this was taken with respect to damage caused by a discharge of oil into water or to mitigate that risk.

[27] The K&K Electrical Ltd. costs are rejected.

Item 3 – Aries Security Ltd. Claimed: \$614.25

[28] The costs incurred by Aries Security Ltd. are for the Harbour Manager’s salary costs for responding to the Incident and for preparing the claim submission. Claim compilation costs are rarely claimed for but are considered compensable. In this case, these costs are established in the evidence and are reasonable.

[29] The Aries Security Ltd. costs are accepted in full.

[30] The costs incurred by the contractor Dan Carter are for the use of oil pads, trailering the Vessel out of the Incident location, damage to the trailer, draining the oily water from the Vessel, monitoring the draining of oil, partial deconstruction, and disposal.

[31] The costs for this contractor (exclusive of tax) are broken down as follows:

- \$9,500 for vessel pickup, cleanup, partial deconstruction and dumping;
- \$850.00 for damage to the trailer used to move the Vessel;
- \$1,387.50 for additional time monitoring the draining of oil; and
- \$365.00 for the use of oil pads.

[32] GST in the amount of 5% was then added onto each item.

[33] The majority of these costs are accepted. However, it has not been established that the Port Hardy Harbour Authority was legally responsible for damage suffered to the contractor's equipment while it was used by the contractor. Therefore, the trailer damage claim has been rejected. The disposal of the ship itself has not been established as a measure reasonably taken with respect to an oil pollution threat, and therefore the landfill fee is also rejected.

[34] **The amount of \$10,182.17 is accepted for Dan Carter costs.**

OFFER SUMMARY AND CLOSING

[35] The following table summarizes the claimed and allowed expenses:

Item	Amount claimed (\$)	Amount Accepted (\$)
JM's Mobile Welding	484.50	0
K&K Electrical Ltd.	393.75	0
Aries Security Ltd.	614.25	614.25
Dan Carter	12,707.63	10,182.17
TOTAL	14,200.13	10,796.42

Table 3: Summary of amounts claimed and accepted.

[36] Costs and expenses in the amount of \$10,796.42 are accepted and will be paid together with statutory interest calculated at the date of payment if the Offer is accepted.

[37] 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.

- [38] 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.
- [39] 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 be issued.
- [40] 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 its claim, and further, it must cooperate with the Ship Fund in its subrogation efforts.

Yours sincerely,

Caroline Healey, LL.B., J.D., MBA
Chief Executive Officer, Ship and Rail Compensation Canada and
Administrator of the Ship Fund and the Rail Fund