



# **Western Canada Marine Response Corporation**

**Fee Justification Document  
Amended Bulk Oil Cargo Fees  
January 1, 2015**

## INTRODUCTION:

The amended membership fees for Western Canada Marine Response Corporation (“WCMRC”) are listed below, and will be published in the *Canada Gazette*. This document details the manner in which the fees have been calculated, and provides supporting financial information.

## MEMBERSHIP FEES:

### a.) Registration Fee

The current registration fee of \$620.00 is currently unchanged.

There is no defined fee setting formula for determining the Registration Fees, however, the *Framework for Membership Fees dated February 3<sup>rd</sup>, 1999* has identified that the preparedness costs of WCMRC are recovered through membership fees, and the components are outlined as follows:

- a fixed annual fee
- applicable to all members of WCMRC
- provides 10 – 15% of the total preparedness cost. As preparedness costs escalate, so too must applicable fees.
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It is expected that these fees will increase in Q2 2015.

### b.) Bulk Oil Cargo Fee (“BOCF”)

- is determined on the basis of cost per tonne;
- the BOCF is calculated by multiplying a Bulk Oil Cargo Fee Rate (“BOCFR”) by the applicable quantity of bulk oil loaded or unloaded within WCMRC’s Geographic Area of Response (“GAR”), and where applicable, bulk oil cargo transferred between ships within WCMRC’s GAR;
- the BOCFR is calculated by dividing the forecast annual *Net Expense (1)* of WCMRC by the forecast *Annual Volume (2)* of bulk oil cargo to be loaded or unloaded within WCMRC’s *GAR (3)*;
- *Net Expense (1)* = Debt servicing + operating costs including depreciation + return on equity less revenue from forecasted registration fees and other revenues, plus/minus the previous years operating surplus/deficit;
- *Annual Volume (2)* = Total volume of bulk oil cargo unloaded + total volume of bulk oil loaded for international destinations and north of 60 within WCMRC’s GAR and where applicable, bulk oil cargo transferred between ships within WCMRC’s GAR;
- *GAR (3)* = Geographic area of response for which WCMRC is certified to operate.

The above formula for the BOCFR was endorsed by the participants of the Multi-Stakeholder Consultation Meeting held in Toronto, June 1<sup>st</sup> – 5<sup>th</sup>, 1998.

The BOCFR calculated by the above formula is applicable to all products except asphalt. The BOCFR for asphalt is 50% of the rate for all other products.

**c.) Capital Asset/Loan Fee (“CALF”)**

- is determined on the basis of cost per tonne;
- the CALF is calculated by multiplying a Capital Asset/Loan Fee rate (“CALFR”) by the applicable quantity of bulk oil loaded or unloaded within WCMRC’s Geographic Area of Response (“GAR”), and where applicable, bulk oil cargo transferred between ships within WCMRC’s GAR;
- the CALFR is calculated by dividing the forecast annual Funds Required for Capital Purchases (1) of WCMRC, plus the provision for tax (2) by the forecast Annual Volume (3) of bulk oil cargo to be loaded or unloaded within WCMRC’s GAR (4);
- Funds Required for Capital Purchases (1) = Annual Capital Budget plus the annual principal bank loan repayment, less amortization of capital assets (excluding amortization of assets purchased previously with the CALF);
- Provision for tax (2) = (Funds Required for Capital Purchases less amortization of capital assets purchased previously with the CALF) multiplied by the applicable rate of tax;
- Annual Volume (3) = Total volume of bulk oil cargo unloaded + total volume of bulk oil loaded for international destinations and north of 60 within WCMRC’s GAR and where applicable, bulk oil cargo transferred between ships within WCMRC’s GAR;
- GAR (4) = Geographic area of response for which WCMRC is certified to operate.

**Bulk Oil Cargo Fee Rate (BOCFR)**

BOCFR	GAZETTED effective January 1, 2014	GAZETTED effective January 1 <sup>st</sup> , 2015
Asphalt	\$0.293	\$0.757
Other Products	\$0.585	\$1.514

The basis for establishing the Bulk Oil Cargo Fee is as follows:

	<b>Proposed Fee 1-Jan-15</b>	Effective Fee 1-Jan-14
<b>Revenue</b> (other than BOCF)		
Registration Fees (note 1)	<b>1,150,000</b>	1,150,000
Other Revenue (note 2)	<b>250,000</b>	
Deferred Revenue (note 3)	<b>787,500</b>	4,250,000
Total Revenue	<b>2,187,500</b>	5,400,000
<b>Expenses</b>		
Operations (note 4)	<b>11,755,263</b>	8,011,564
Amortization (note 5)	<b>968,050</b>	767,550
Interest/financing on debt, bank loan (note 6)	<b>523,331</b>	737,000
Total Expenses	<b>13,246,644</b>	9,516,114
Return on equity, NEB rate (note 7)	<b>189,500</b>	189,500
Revenue Shortfall 2011		
Income Tax, plus LCT	<b>70,000</b>	70,000
	<b>13,506,144</b>	9,775,614
BOCF Revenue Required	<b>11,318,644</b>	4,375,614
Member annual volumes, tonnes (note 8)	<b>6,757,000</b>	6,757,000
Non member volumes	<b>719,000</b>	719,000
	<b>7,476,000</b>	7,476,000
<b><u>Bulk Oil Cargo Fee Rate - Other Products:</u></b>		
Gazetted BOCF Rate		
<b>Proposed BOCF Rate</b>	<b>1.514</b>	<b>0.585</b>

**Capital Asset Loan Fee (CALF)**

<b>CALF</b>	<b>EFFECTIVE January 1<sup>st</sup>, 2014</b>	<b>PROPOSED January 1<sup>st</sup>, 2015</b>
Asphalt	\$0.000	\$0.000
Other Products	\$0.000	\$0.000

**Notes:**

- 1.) **Registration Fees**  
Vessel and oil handling facility registrations are based on 2014 projections.
- 2.) **Other Revenue, net**  
Includes the sale of sorbents, spill revenue, interest, training activities, and deferred revenue for the current year.
- 3.) **Deferred Revenue**  
Consists of fees collected in excess of net expenses and volume variances in previous years. Final numbers outstanding
- 4.) **Operating Expenses**  
General operating and administrative expenses consists of salaries and benefits, equipment maintenance, insurance, professional fees, rent, and training.
- 5.) **Amortization**  
Amortization on equipment over its useful life and start up costs over approximately 25 years.
- 6.) **Financing and Interest**  
Calculated at approximately 4%.
- 7.) **Return on Equity**  
Used last published NEB rate of return
- 8.) **Member Volumes**  
Based on the actual 2013 volumes or predicted changes if significant events have changed those prior volumes.