



Western Canada Marine Response Corporation

**Fee Justification Document
Proposed Bulk Oil Cargo Fees
January 1, 2018**

INTRODUCTION:

The membership fees for Western Canada Marine Response Corporation (“WCMRC”) are listed below, and are unchanged from 2015. This document details the manner in which the Bulk Oil Cargo fees have been calculated, and provides supporting financial information.

MEMBERSHIP FEES:

a.) Registration Fee

The current registration and subscription fees are \$775.

There is no defined fee setting formula for determining the Registration Fees, however, the *Framework for Membership Fees dated February 3rd, 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.

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 1st – 5th, 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, 2015	PROPOSED effective January 1 st , 2018
Asphalt	\$0.757	\$0.973
Other Products	\$1.514	\$1.946

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

Western Canada Marine Response Corp
PROPOSED BOCF

	Gazetted Fee effective	Budget 2016	Budget 2017	Budget 2018
Revenue (other than BOCF)				
Registration Fees	1,150,000	1,150,000	1,500,000	1,300,000
Other Revenue	250,000	250,000	50,000	55,000
TMEP salary offset			1,800,000	1,266,000
Deferred Revenue	787,500	4,100,000	5,000,000	3,682,783
Total Revenue	2,187,500	5,500,000	8,350,000	6,303,783
Expenses				
Operations	11,755,263	6,500,284	9,285,672	8,663,754
Human Resources		1,118,839	968,265	697,697
Corporate		1,820,474	1,988,312	1,376,343
Corporate Projects		388,414	411,552	294,975
Response Readiness		1,587,769	1,864,401	1,904,846
Finance and Business Support		1,838,300	1,795,289	2,498,640
Other (Int/Amort)	1,491,378	1,656,333	395,000	1,220,220
Depreciation			1,295,000	1,695,528
Total Expenses	13,246,641	14,910,413	18,003,491	18,352,003
Return on equity, NEB rate	189,500	189,500	198,250	148,688
Income Tax	70,000	70,000	55,510	41,633
	259,500	259,500	253,760	190,320
Total expenses	13,506,141	15,169,913	18,257,251	18,542,323
BOCF required (expenses less revenue)	11,318,641	9,669,913	9,907,251	12,238,540
Member annual volumes, tonnes			6,024,405	5,885,428
Non member volumes			404,000	404,000
	7,476,000	7,476,000	6,428,405	6,289,428

Bulk Oil Cargo Fee Rate - Other Products:

Gazetted BOCF Rate	1.514	1.514	1.514	
Proposed BOCF Rate		1.293	1.541	1.946

Capital Asset Loan Fee (CALF)

CALF	EFFECTIVE January 1 st , 2015	PROPOSED January 1 st , 2018
Asphalt	\$0.000	\$0.000
Other Products	\$0.000	\$0.000

Notes:

- 1.) Registration Fees
Vessel and oil handling facility registrations are based on 2017 projections.
- 2.) Other Revenue, net
Includes the sale of sorbents, spill revenue, interest, training activities, and deferred revenue for the current year, as well as salary offset (compensation for project consulting)
- 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 over an average of twenty (20) years.
- 6.) Financing and Interest
Calculated at approximately 3.2%.
- 7.) Return on Equity
Is calculated at 75% of prior year's amount due to equity buy back. Rate based on last published NEB ROE- 7.93%
- 8.) Member Volumes
Based on the actual 2016 volumes or predicted changes if significant events have changed those prior volumes.
- 9.) TMEP Salary Offset
Expected revenues from existing staff on project consulting.