



Western Canada Marine Response Corporation

**Fee Justification Document
Proposed Bulk Oil Cargo Fees
January 1, 2020**

INTRODUCTION:

The membership fees for Western Canada Marine Response Corporation (“WCMRC”) are listed below, and are unchanged. 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, 2019	PROPOSED effective January 1 st , 2020
Asphalt	\$1.112	\$0.990
Other Products	\$2.225	\$1.979

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

	BOCF FEE CALCULATION	
	2019 Budget Effective: 2019	2020 Budget Proposed: 2020
Revenue		
Deferred Revenue Previous Year	2,975,000	4,400,000
Interest and Other		50,000
Projects	748,000	1,642,769
Registration Fees	1,300,000	1,300,000
	5,023,000	7,392,769
Expenses		
Depreciation	1,675,806	2,019,697
Insurance	419,640	515,980
Technology and R&D	185,200	145,500
Maintenance and Readiness	1,770,029	1,884,459
Office	1,514,466	1,366,392
Travel	589,293	638,533
Interest and Other	1,358,995	1,405,225
Public Relations	121,750	113,688
Professional Fees	501,905	532,480
Rent and Moorage	877,357	873,804
Salaries	8,881,788	9,218,293
Training	898,904	746,994
	18,795,133	19,461,046
Other		
ROE (7.44%- 2020)	92,460	46,733
Total Funds Required	13,864,593	12,115,010
Total Volumes	6,231,312	6,121,365
Bulk Oil Cargo Fee	\$ 2.225	\$ 1.979

Capital Asset Loan Fee (CALF)

CALF	EFFECTIVE January 1 st , 2015	PROPOSED January 1 st , 2020
Asphalt	\$0.000	\$0.000
Other Products	\$0.000	\$0.000

Notes:

- 1.) Registration Fees
Vessel and oil handling facility registrations are based on 2019 projections and are consistent year over year.
- 2.) Project revenues
Include projected revenues from consulting projects.
- 3.) Deferred Revenue
Consists of fees collected in excess of expenses, unbudgeted spill revenues, past and expected volume adjustments to billing, and revenues collected in advance of being earned.
- 4.) Amortization
Forecasted amortization on equipment over its useful life over an average of twenty (20) years, adjusted for planned capital purchases.
- 6.) Financing and Interest
Calculated at approximately 3.5%.
- 7.) Return on Equity
Is calculated on Jan 1 2020 reduced equity amounts from share repurchase plan. 2020 rate based on last published NEB ROE- 7.44%
- 8.) Member Volumes
Based on the actual 2018 volumes or predicted changes if significant events have changed those prior volumes.