



Western Canada Marine Response Corporation

**Fee Justification Document
Proposed Bulk Oil Cargo Fees
January 1, 2021**

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, 2020	PROPOSED effective January 1 st , 2021
Asphalt	\$0.990	\$0.961
Other Products	\$1.979	\$1.922

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

	BOCF FEE CALCULATION	
	2020 Budget Effective: 2020	2021 Budget Proposed: 2021
Revenue		
Deferred Revenue Previous Year	4,400,000	1,102,220
Interest and Other	50,000	50,000
Projects	1,642,769	1,122,000
Registration Fees	1,300,000	1,300,000
	7,392,769	3,574,220
Expenses		
Depreciation	2,019,697	1,488,000
Insurance	515,980	443,977
Technology and R&D	145,500	135,080
Maintenance and Readiness	1,884,459	1,768,404
Office	1,366,392	1,138,574
Travel	638,533	260,551
Interest and Other	1,405,225	265,080
Public Relations	113,688	63,000
Professional Fees	532,480	441,400
Rent and Moorage	873,804	893,118
Salaries	9,218,293	9,235,906
Training	746,994	443,450
	19,461,046	16,576,541
Other		
ROE 6.40% (7.44%- 2020)	46,733	-
Absorbtion of Contingency	-	(1,000,000)
	46,733	(1,000,000)
Total Funds Required	12,115,010	12,002,321
Total Volumes	6,121,365	6,243,705
Bulk Oil Cargo Fee	\$ 1.979	\$ 1.922

Notes:

- 1.) **Registration Fees**
Vessel and oil handling facility registrations are based on 2021 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 2%.
- 7.) **Member Volumes**
Based on the actual 2020 volumes or predicted changes if significant events have changed those prior volumes.