



Western Canada Marine Response Corporation

**Fee Justification Document
Proposed Bulk Oil Cargo Fees
January 1, 2023**

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, 2022	PROPOSED effective January 1 st , 2023
Asphalt	\$0.964	\$0.880
Other Products	\$1.928	\$1.760

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

BOCF FEE CALCULATION		
	2022 Budget Effective: 2022	2023 Budget Proposed: 2023
Revenue		
Deferred Revenue Previous Year	2,200,000	1,700,000
Interest and Other	50,000	35,000
Projects	928,844	1,000,000
Registration Fees	1,550,000	1,550,000
	4,728,844	4,285,000
Expenses		
Depreciation	1,616,269	1,001,000
Insurance	420,000	420,000
Technology and R&D	149,680	63,200
Maintenance and Readiness	2,242,603	2,099,009
Office	1,150,640	926,719
Travel	449,915	432,068
Interest and Other	175,800	411,831
Public Relations	69,900	56,950
Professional Fees	370,400	425,625
Rent and Moorage	1,002,110	978,118
Salaries	8,726,922	8,880,076
Training	308,663	398,080
	16,682,903	16,092,676
Other		
ROE 6.40% (7.44%- 2020)	-	-
Absorption of Contingency	-	-
Equity Repurchase	-	-
	-	-
Total Funds Required	11,954,059	11,807,676
Total Volumes	6,200,418	6,710,727
Bulk Oil Cargo Fee	\$ 1.928	\$ 1.760

Notes:

- 1.) **Registration Fees**
Vessel and oil handling facility registrations are based on 2023 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**
Consists of actual loan payments to be made against current debt that was used to fund capital purchases and estimated payments for loans for future planned capital purchases.
- 6.) **Financing and Interest**
Calculated at approximately 4.5%.
- 7.) **Member Volumes**
Based on the actual 2021 volumes or predicted changes if significant events have changed those prior volumes.