



Western Canada Marine Response Corporation

Fee Justification Document

Amended Bulk Oil Cargo and Capital Asset Loan Fees

January 1, 2013

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 not being amended.

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

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 May 1 st , 2012	PROPOSED effective January 1 st , 2013
Asphalt	\$0.399	\$0.337
Other Products	\$0.798	\$0.674

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

	Gazetted Fee effective 1-May-12	Proposed Fee 1-Jan-13
Revenue (other than BOCF)		
Registration Fees (note 1)	1,084,000	1,150,000
Other Revenue (note 2)	30,000	10,000
Deferred Revenue (note 3)		-20,000
Total Revenue	<u>1,114,000</u>	<u>1,140,000</u>
Expenses		
Operations (note 4)	5,092,250	6,047,858
Amortization (note 5)	517,550	617,550
Interest on debt, bank loan (note 6)	55,000	85,000
Total Expenses	<u>5,664,800</u>	<u>6,750,408</u>
Return on equity, NEB rate (note 7)	202,000	189,500
Revenue Shortfall 2011	164,045	
Income Tax, plus LCT	75,000	70,000
	<u>6,105,845</u>	<u>7,009,908</u>
BOCF Revenue Required	4,991,845	5,869,908
BOCF collected 1st Qtr 2012, net	799,551	
BOCF collected April 2012	266,517	
BOCF to be collected	<u>3,925,777</u>	<u>5,869,908</u>
Member annual volumes, tonnes (note 8)		8,215,000
Non member volumes		488,000
Member volumes May 1-Dec 31 2011	4,536,462	
Non member volumes May 1- Dec 31 2011	385,238	
	<u>4,921,700</u>	<u>8,703,000</u>
<u>Bulk Oil Cargo Fee Rate - Other Products:</u>		
Gazetted BOCF Rate	0.798	
Proposed BOCF Rate		0.674

Capital Asset Loan Fee (CALF)

CALF	GAZETTED July 1, 2011 (nil in 2012)	PROPOSED effective January 1 st , 2013
Asphalt	\$0.043	\$0.035
Other Products	\$0.086	\$0.071

The basis for establishing the Capital Asset Loan Fee is as follows:

2013 Capital budget	1,383,000.00	
Estimated funds left in capital reserve	795,000.00	
Balance to fund	588,000.00	
Principal repayments	416,667.00	
2013 estimated depreciation	(520,000.00)	(103,333.00)
Funds Req'd for Capital Purchases	484,667.00	

Calculation of taxes	$1/(1-\text{tax rate}) \times \text{tax rate}$	0.333333333
		161,555.67
	FIT benefit	(27,500.00)
		134,055.67

Total Funds Required for Capital Purchases \$ 618,722.67

Estimated Annual Volume **8,703,000.00**

CALF fee required **\$ 0.071**

NOTES TO FEE JUSTIFICATION DOCUMENT

Notes:

- 1.) Registration Fees
Vessel and oil handling facility registrations are based on 2012 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.
- 4.) General 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 20 years.
- 6.) Interest on debt
Calculated at an estimated prime rate of 3.25%.
- 7.) Return on equity
The rate of return on equity for 2013 has been calculated at 7.58% (based on the NEB discontinued RH-2-94 formula for 2012)
- 8.) Member volumes
Based on the actual 2011 volumes or predicted changes if significant events that have changed those prior volumes exist.