

Western Canada Marine Response Corporation

Fee Justification Document

Capital Asset/Loan Fee

July 1st, 2008

INTRODUCTION:

This is a new fee for Western Canada Marine Response Corporation ("WCMRC") is 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.

CAPITAL ASSET/LOAN FEE:**b.) 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.*

The above formula for the CALFR was introduced to WCMRC's Users' Group in March, 2007.

The CALFR calculated by the above formula is applicable to all products except asphalt. The CALFR for asphalt is 50% of the rate for all other products.

The CALFR for WCMRC is:

Capital Asset/Loan Fee Rate

CALFR	Effective July 1st, 2008	Effective January 1st, 2009
Asphalt	\$0.159	\$0.000
Other Products	\$0.317	\$0.000

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

2008 Capital Asset/Loan Fee

2007 Capital Budget	1,473,500	
Potential designation of the Port of Kitimat	<u>700,000</u>	
	2,173,500	
Amortization Capital Assets	560,050	
Less Principal Loan payment	<u>416,667</u>	
Funds available for capital purchase	<u>143,383</u>	
Capital funding required	2,030,117	
Less: capital replacement reserve	728,206	
Current year capital funding required	<u>1,301,911</u>	
Provision for tax 32.5%	617,216	
Additional CALF funding required	1,919,127	
2007 Actual Volumes -		
Shareholder	5,221,993	
Non-Shareholder	<u>831,642</u>	
Total 2007 actual volumes	6,053,635	
Capital Asset/Loan Fee (CALF)	0.317	
Notes:		
1) The funding collected for capital assets required in the event of the designation of the Port of Kitimat will be held in reserve until required.		
3) a) 2007 combined fees - BOCF	0.057	
- CALF	<u>0.363</u>	
- Total	0.420	
b) 2008 proposed fees - BOCF	0	
- CALF	<u>0.317</u>	
- Total	0.317	
Provision for income taxes calculation		
Current year capital funding required	1,301,911	
Estimated amortization	<u>20,000</u>	
CALF income before tax	1,281,911	
Provision for tax at 32.5%	617,216	32.50

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Notes:

- 1.) Amortization
Consists of amortization on equipment over its useful life.
- 2.) Principal Bank Loan Repayment
The total payable per annum under the terms of the Credit Agreement.
- 3.) Provision for Income Tax
A provision for income tax at a rate of 32.5% is included in the capital funding required.