

# **Western Canada Marine Response Corporation**

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Fee Justification Document

Amended Membership Fees

July 1<sup>st</sup>, 2008

## 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 \$450.00 has not been amended, and is referred to for information purposes only.

### 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 at the Multi-Stakeholder Consultation Meeting held in Toronto, June 1<sup>st</sup> – 5<sup>th</sup>, 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")

- Refer to separate document

The amended BOCFR for WCMRC is:

**Bulk Oil Cargo Fee Rate**

<b>BOCFR</b>	<b>GAZETTED effective January 1<sup>st</sup>, 2008</b>	<b>AMENDED effective July 1<sup>st</sup>, 2008</b>	<b>AMENDED effective January 1<sup>st</sup>, 2009</b>
Asphalt	\$0.340	\$0.000	\$0.224
Other Products	\$0.680	\$0.000	\$0.448

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

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## Amended Membership Fees

July 1st, 2008

	Gazetted Fee effective 1-Jan-08	2007 Actual per Audit	Proposed Fee 1-Jul-08	Proposed Fee 1-Jan-09
Revenue (other than BOCF)				
Registration Fees (note 1)	698,500	665,464	674,500	704,850
Other Revenue (note 2)	156,350	-2,078,732	413,605	120,150
Deferred Revenue (note 3)	0	3,423,558	3,615,163	1,300,000
Total Revenue	854,850	2,010,290	4,703,268	2,125,000
Expenses				
Operations (note 4)	3,482,517	3,132,414	3,647,818	3,793,731
Amortization (note 5)	577,550	536,003	543,950	577,550
Interest on debt, bank loan (note 6)	230,000	211,243	200,000	150,000
Total Expenses	4,290,067	3,879,660	4,391,768	4,521,281
Return on equity, NEB rate (note 7)	222,000	222,000	211,500	217,750
Income Tax, plus LCT	130,000	58,184	100,000	95,000
	4,642,067	4,159,844	4,703,268	4,834,031
BOCF Revenue Required	3,787,217	2,149,554	0	2,709,031
Member annual volumes, tonnes (note 8)	5,566,522		6,053,635	6,053,635
<u>Bulk Oil Cargo Fee Rate - Other Products:</u>				
Gazetted BOCF Rate	0.680			
Proposed BOCF Rate			0.000	0.448

## Fee Justification Document

### Notes:

- 1.) Registration Fees  
Vessel registrations are assumed to be consistent.
- 2.) Other Revenue, net  
Other revenue consists of sale of sorbents, spill revenue, interest, training activities, and the deferred revenue for the current year.
- 3.) Deferred Revenue  
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 consists of amortization on equipment over its useful life and start up costs over 20 years.
- 6.) Interest on debt  
Interest on debt has been calculated at a prime rate of 6.75%.
- 7.) Return on equity  
The rate of return on equity for:
  - 2008 has been calculated at 8.46% (the NEB rate for 2007)
  - 2009 " " " " 8.71% ( " " " " 2008)
- 8.) Member volumes  
Member volumes are based on the actual volumes for 2007.