

BC Wharf Operators Association

Feedback Report to the Port of Metro Vancouver via the Gateway Improvement Program Advisory Committee on the Proposed Gateway Infrastructure Fee.

Prepared by Ignite Management Ltd.
February 28, 2010

Summary Points:

Most operators understand and accept that it is appropriate for PMV to be implementing a fee program to recoup some of the costs expended under the Gateway Infrastructure Program with the following caveats:

Total expenditures of \$167 Million by PMV included payment for improvements of which some were upgrades to maintain a level of service to port tenants and some were more community related. In the past such improvements, being part of an ongoing upgrade program, have been paid for out of PMV general revenues and/or harbour dues. These amounts should not be recovered from additional fees to terminal operators.

None of the proposed fee structures demonstrate an appropriate link between the fee and the benefits which accrue to specific trade areas and individual operators within those jurisdictions.

In order for any fee to be deemed "fair", it must be linked directly to the benefit accruing to the operator paying the fee.

The consultation process was inconsistent between trade areas. This has led to varying levels of acceptance of the appropriateness of a fee.

Some operators do not see benefit from the expansions and feel any proposed fee is inappropriate.

There are multiple beneficiaries to the infrastructure expansion that fall outside the Gateway Improvement Program. It is inappropriate for Wharf Operators to pay for benefits which accrue to these groups.

The BC Wharf Operators Association (BCWOA) has met on several occasions to review the proposed Gateway Improvement Fee. In general, the BCWOA agree that the PMV is justified in seeking some level of offset to its \$167 million commitment under the Gateway Improvement Project. This is not a consensus position but reflects the general sentiment. However the BCWOA terminals are strongly aligned in opposition to any attempt to collect the full \$167 million from terminal operators.

The PMV has requested feedback on payment mechanisms. The BCWOA is not prepared, at this stage, to comment on these proposed payment mechanisms as there are some critical issues that need to be resolved first. Stated simply, agreement needs to be reached on how much of the \$167 million should be recovered from Port operators.

There are a number of concerns that were raised by BCWOA regarding the proposed fee.

- Total expenditures of \$167 Million by PMV included payment for upgrades to maintain a level of service to port tenants. Further, some upgrades funded under the GIP represent community investments. In the past such improvements, being part of an ongoing upgrade program and community outreach, have been paid for out of general PMV revenues and/or harbour dues. The BCWOA strongly believes that this practice should continue.
- None of the proposed fee structures demonstrate an appropriate link between the fee and the benefits which accrue to specific trade areas and individual operators within those trade areas. All Associations on the GIPAC have emphasized the need to have some correlation between the cost recovery and benefits received.
- In order for any fee to be deemed “fair”, it would have to be linked directly to the benefit accruing to the operator paying the fee.
- The consultation process was inconsistent between trade areas. Some terminals have been included while others have not. In addition the level of consultation has been inconsistent. This has led to varying levels of acceptance of a fee.
- Some operators do not see benefit from the improvements and feel any proposed fee is inappropriate. They feel the Port should be paying out of the revenues currently being collected from port operators.
- Imposing a fee post-funding commitment sets a precedent that the BCWOA is very concerned with. Where infrastructure expenditures are to be collected from terminal operators, they must be agreed to in advance.

- There are multiple beneficiaries to the infrastructure expansion that fall outside the proposed fee recovery program. Any recovery program should include these groups as part of the program.

Incremental Benefit vs Maintenance of level of service vs community relations

Leases agreements between operators and the PMV vary significantly. However, most, if not all, rely on the PMV ensuring that infrastructure is maintained sufficiently to enable efficient operations at the respective facilities. The BCWOA believes that a detailed review of the improvements done in the respective trade area is required to determine which of the infrastructure dollars were used to upgrade facilities to provide adequate service under respective agreements. In addition certain improvements have little benefit to port operators and provide significant community benefits. In the past offsite infrastructure improvements (South Shore road, overpass and service connections) and community related expenditures have been paid from either general revenues or harbour dues. These improvements should not be included in a recovery program from terminal operators.

PMV has cash flow generated from operations of between \$50M to \$70M per year (\$69 million in 2008). The BCWOA believes that a portion of this cash flow should be used to finance a part of the Gateway Improvements as general upgrades which provide improved access to port properties and improvements beneficial to the community.

Some operators have expressed concern that there has been virtually no investment by PMV in supporting the bulk and breakbulk industries (specifically on the North Shore) however significant investments have been made to support the container and cruise sectors at Roberts Bank and the South Shore.

Linkage Between Fee and Benefit to Operator

Most members of the BCWOA accept that some form of fee is warranted. However, a one size fits all solution is problematic given that the benefit which accrues by operator varies substantially. In order for the fee to be considered fair, it would have to be correlated to the benefit on a per-operator basis. The proposed fee structures do not allow for this.

The PMV has indicated a principle of being “fair” in the assessment of the fee. The BCWOA believes that a criterion for “fairness” is that there is a direct correlation between the fee

collected and the benefit which accrued to the individual member. The BCWOA was unanimous in this position.

Consultation Process

The consultation process was vastly different between the PMV and Wharf Operators for the expansions in the three trade areas. In Roberts Bank consultation happened after the fact and for one terminal not at all. On the North Shore there was more consultation however some operators clearly stated they did not feel they should be contributing to a recovery fee. On the South Shore, some were consulted and some were not. This becomes problematic in the context of determining how much of a fee should be collected and what trade areas should be made responsible to pay. It is not acceptable to members of the BCWOA that they should be charged a fee for investments where they were not fully consulted and made aware of the fee in advance.

Contribution Percentage

The PMV contribution to the respective Trade Area improvements varied significantly on a percentage basis (Roberts Bank – 16%, NSTA – 24%, SSTA – 46%). Political pressure to announce infrastructure spending and capture infrastructure dollars perhaps influenced the level of participation. BCWOA is concerned, under the Principle of “fair”, that some operators, or trade areas, may be disadvantaged if there is a direct correlation between fee and amount spent by trade area while other operators do not feel they should pay for expenditures in other trade areas.

Beneficiaries outside recovery program

Further, there are multiple beneficiaries to the infrastructure expansion who fall outside the Gateway Improvement Program. These include shipping companies (unless a recovery fee on harbour dues is implemented) and numerous non-terminal businesses that operate on the south shore waterfront and the north shore waterfront (unless a portion of the recovery is paid through current PMV revenues).

In addition the cruise industry (and local business community) has benefited significantly from infrastructure improvements and should be included in any industry wide program to be implemented.

Social Licence

PMV has encouraged acceptance of the recovery fee in part as a payment on behalf of a social licence to operate. While the BCWOA appreciates the need to support communities there is serious concern for the notion that terminals be required to support inland infrastructure improvements which have been the responsibility of governments in the past.

Current PMV Returns

PMV is generating cash flow from operations of between \$50M and \$70M per year of which a portion could be used to pay for infrastructure of this nature. The same terminals generating this cash flow for PMV are being asked to additionally pay for all of the PMV and terminal operators portion of the Gateway Improvements.

Next Steps

The BCWOA believes that the PMV would be well advised to reconsider its intent to fully collect the \$167M under a terminal/cargo fee program. This will be strongly opposed by members of the BCWOA. A consensus position was that a dollar for dollar recovery of the PMV investment from the terminals is unrealistic and unacceptable.

The BCWOA recommends that the PMV initiate a new round of consultation and/or review to determine how much of the \$167M accrues to the benefit of operators and that the proposed fee be recalibrated on this basis. Further, any fee that is ultimately put in place should look to a combination of current PMV returns, harbour dues and cargo charges for repayment of the \$167 million.

Chris Chok

From: Brad Eshleman [beshleman@westeve.com]
Sent: Thursday, March 18, 2010 10:13 AM
To: allan.baydala@portmetrovancover.com; GIP@portmetrovancover.com
Cc: karen.inman@dpworld.ca; dleung@tsi.bc.ca; tnardi@neptuneterminals.com; gbenitez@neptuneterminals.com; ken.catton@pct.ca; mike.martel@univarcanda.com; horgan@westshore.com; mmclellan@tsi.bc.ca; JonesK@kindermorgan.com; David_Klitch@kindermorgan.com; schew@fibreco.com
Subject: BCWOA Submission to GIPAC - further comments
Attachments: Document.pdf

Alan

The BCWOA provides the following additional comments to PMV concerning the Gateway Improvement Program:

1. PMV has included land in the cost recovery models. We do not believe it is appropriate for the cost recovery model to provide sales proceeds for land to PMV for the following reasons:

- all prior discussion referred solely to the recovery of infrastructure program costs incurred by PMV
- land is not a cost to PMV and PMV still owns the land
- terminals were told that land would not be included in the recovery of costs - it would be cost recovery only.

2. We reiterate our view that harbour dues or a charge on GRT should share in funding the cost of off-site infrastructure:

- refer to the attached 2004 PMV presentation on Harbour dues - presentation on cost recovery model for the Port
- presentation states terminal operators typically pay for:
 - berths & jetties
 - buildings, site services, parking
 - amenities
- remaining Port costs paid for by harbour dues such as:
 - safety costs, clean harbour costs, security costs, Off-site infrastructure including - south shore port road, overpasses and service connections
- All beneficiaries of infrastructure improvements should bear included.

3. Off site maintenance costs have been paid by Harbour dues in the past.

Please contact me should you have any questions.



CANADIAN FERTILIZER INSTITUTE
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Roger L. Larson
President

February 9, 2010

Port Metro Vancouver – GIPAC Consultation
100 The Pointe, 999 Canada Place
Vancouver, B.C. Canada V6C 3T4
ATTENTION: Ms. Judy Kirk
Kirk & Co.

CONFIDENTIAL

Re: CFI Brief on Port Metro Vancouver Gateway Infrastructure Fee

Ms. Kirk:

Port Metro Vancouver (the Port) has established a Gateway Infrastructure Program Advisory Committee (Committee) to assist and advise it in establishing a “*Gateway Infrastructure Fee*” (“GIF”), intended to enable the Port to recoup its portion of the total costs associated with a number of infrastructure improvements to be undertaken within the Port trade area by March 31, 2014. Total costs of these infrastructure improvements are currently set at \$676 million and the Port’s portion of the total costs has been set at \$167 million with the intention that they be recouped from Port users. The GIF will be established as the method by which the Port recovers its contribution on behalf of its industry stakeholders. This fee is intended to be applied through a mechanism that we understand is legally required to be both “fair and equitable” to Port users.

The purpose of this brief is to provide you with our initial views and suggestions with respect to the proposed methodology for establishing the GIF.

At the conclusion of the first meeting of the Advisory Committee on January 21, 2010 you stated that you would encourage all Committee members, and particularly those who will not be able to attend the next meeting of the Committee on February 11 in person, to provide feedback and advice to you directly in advance of the next meeting regarding the fee structure and implementation features such as collection and the term of the fee.. As Tom Maville advised, neither he nor I will be able to participate in person at the February 11 meeting. We are accordingly providing you with our written comments regarding this matter.

At the outset I would state that CFI is pleased to be a member of this important Committee, to participate in the discussions, and to be an active player in the decision-making process that will take place between now and June. There are four major elements to the fee program, which this Committee is being asked to address, as follows:

- Fee Structure – how should the fee be structured?
- Fee Collection Mechanism – how should the fee be collected?
- Fee Term – what should the term of the fee collection period be – 30 year Debt repayment term or shorter term?
- Fee Structure Annual Evaluation – Once the fee structure is implemented it will need to be measured, assessed and evaluated on an on-going basis – at what periods?

Our comments and position with respect to each of these elements are as follows:

Principles

First, we need to agree to some basic principles relating to the inclusion of specific infrastructure projects, the allocation of costs among industries and other Port users, the life of the fund, and the scope of future infrastructure projects that can be added. The CFI believes these principles to be:

1. GIF recovery should be based on the commercial value of only the parts of the infrastructure projects which can be directly linked to shipper commercial benefits;
2. Bulk shippers should not pay a disproportionately greater share of the GIF, that is, the maximum that should be allocated to bulk industries is their percentage of total Port vessel movements;
3. The life of the GIF recovery should be fixed to the currently approved projects and end with the recovery of the approved costs; and
4. No future infrastructure projects should be added without the agreement of the GIF payers.

This discussion should be concluded and applied to the four models presented, so the Committee members can understand the implications for the differing fee schedules.

Parameters for the Fee Structure

If Port users are to be asked to ultimately agree on a GIF that will be applicable to everyone impacted by the infrastructure improvements, then it will be crucial that the fee structure be designed in a manner that does not disproportionately financially impact any one user group (whether positively or negatively) and whether that be the bulk sector, container sector or other users of the Port. We have discussed this issue with our members and have agreed on a number of basic parameters, which we believe should set the foundation for the GIF.

These include:

- The GIF should be established in a fair and equitable manner such that no single Port user is either excused from the fee or disproportionately impacted by the amount of the fee.
- The GIF should be established as a 'flat' fee per unit of measurement, and;
- The GIF should be established in a manner that is simple and easy to implement, administer and monitor.

We have examined the four GIF models described in the discussion paper that was circulated on January 22, 2010 and have the following concerns:

Model #1: This GIF model is based on the value of the goods. This model may, in our view, have some merit but requires further study. Our major concerns with this GIF model are that:

- (1) that it will ultimately involve the definition of a multitude of commodities in order to make it comprehensive (It is presently restricted to 23 broad commodity groups which would have to be extended considerably probably to the 5 digit STCC level to make it indicative of all commodity users),
- (2) it is complex in nature (involves values that are very fluid), and
- (3) it will require extensive on-going maintenance, administration and monitoring which will require considerable resources at a cost to users (and by users who are not all defined at this time) to make it economically feasible and workable. It was pointed out at the January 22 meeting that trying to establish the appropriate level of commodity description and associated values for all of the products handled at the Port under this model will be a "*hornets' nest*". In order for this model to be effective, it would be necessary to revisit the commodity values at regular on-going periods.

In addition, the use of this model would be restricted to only commodity shippers and receivers as the model excludes non-commodity users such as the cruise lines and pleasure boat operators, which move no products per se through the Port, except people. Having said that, we are of the view that this model is nonetheless worthy of further study and examination – but it must be simplified, made considerably less difficult to administer and monitor and, in addition, somehow be extended to non-commodity users in order to be made both economically and practically feasible.

Model # 2: This GIF model is a purely commodity tonnage-based GIF model. Bulk products including potash, sulphur and other resource-based goods comprise a disproportionately large portion of the total

goods handled through the Port (over 75%) by weight and volume and these users – CFI members included amongst them – will most certainly be called upon to carry a disproportionately greater share of the total fees collected under this model. As Mr. May of the Western Canada Shippers Coalition eloquently stated at the January 22 meeting, assessing fees solely on the basis of tonnage would be equivalent to allowing the “feather shippers” to essentially “get off free of charge”. This model is unacceptable and warrants no further consideration. CFI will adamantly oppose any fee model developed exclusively along tonnage lines.

Model #3: This GIF model is based on cargo weight, by rail or truck. This model determines the percentage of cargo and container tonnage per mode – 84%/16% for rail and 28%/72% for truck. The GIF costs for the year are then allocated to each mode using the 65%/35% rail/truck benefit split and then allocated to cargo and container. We must assume that the allocated amounts to cargo and container referred to will be based on weight and volume as opposed to the value of cargo and containers. We do not support this model because, similar to Model #2, it will place a disproportionate amount of total GIF charges on bulk shippers and will fail to reflect the real commercial value of the goods moved through the Port on a unit-of-weight-value basis.

Furthermore, as with all of the models described in the discussion paper, Model #3 fails to capture the non-tonnage users of the Port who, to one degree or another, will most certainly also benefit from the infrastructure improvements.

Model #4: This GIF model is based on rail footage and truck lengths. The GIF is based on number of rail or truck units required to move cargo. This model uses the relative rail footage (62%/38%) and truck units (21%/79%) as the method of allocating the annual rail and truck GIF charge between cargo and container.

This model fails to take into account the different types of trucks and railcars, the unit weight of goods carried in the trucks and railcars and the value of the goods being carried. Furthermore, as with all of the models described in the discussion paper, Model #4 also fails to capture the non-tonnage users of the Port who, to one degree or another, will most certainly also benefit from the infrastructure improvements. We believe, subject to further analysis, that this model would place a disproportionately greater share of the total infrastructure improvement costs on bulk shippers. Accordingly, subject to some further study and analysis, CFI is inclined not to support this model either.

Eligibility for Inclusion of Costs under the GIF

We strongly advocate that the GIF calculations should be limited to the commercial value of the infrastructure improvement, that is, the value that would be placed on the capital work in the private sector, as opposed to by the government. This will help ensure that these projects must be executed carefully and diligently, paying meticulous attention to the end cost and ‘bottom line’, and that any extraneous portions of infrastructure projects will be excluded.

Fee Collection Mechanism

CFI requests that the mechanism put in place to collect the GIF fee must be transparent, administratively efficient, timely and structured in a manner that ensures that the fees collected from any particular user group can be linked back to the infrastructure costs associated with facilities used by that group.

For example, fees assessed to potash shippers should be tied directly to the costs associated with the infrastructure improvements on the North Shore where all of the Vancouver-bound potash is delivered and handled (\$59 million industry contribution for the six projects to be pre-funded by the Port according to the Draft Consultation Discussion Paper dated January 19, 2010). Similarly, fees assessed to sulphur shippers should be apportioned in a similar manner, pro-rated (based on volume) and tied directly to the costs associated with infrastructure improvements on both the North and South Shore. Simply stated, we do not wish to cross-subsidize other users of the Port who, because of model design or the collection mechanism, end up paying a GIF which falls disproportionately short relative to the value they receive from the infrastructure improvements

compared to other users in the same area. We similarly believe that the Port should not have the arbitrary right to add projects to the fund.

We agree with the three broadly defined port GIF areas set out in the discussion paper (*Roberts Bank Trade Corridor, North Shore Trade Area and South Shore Trade Area*), and propose that the fees ultimately collected from a specific Port user be tied directly to the infrastructure improvement costs defined in the specific area within which the user has Port facilities and/or uses Port services.

Fee Term

We would suggest that various GIF pay-back periods and cost of capital utilized should be examined carefully by the Committee but the total term over which the GIF is to be collected should not be longer than “commercially” necessary, but in no event longer than 30 years.

Fee Structure Annual Monitoring and Evaluation

Regardless of the fee structure ultimately implemented, it will be imperative that the structure be monitored and audited preferably by an outside neutral body (such as an independent firm of chartered accountants), evaluated and adjusted as required on an on-going basis. This will be particularly important if the fee structure is user-value based. We recommend that the evaluation be transparent and simple in approach, such as:

- Amount of fees collected
- Amount of capital improvement cost still owed
- Projected date when improvement cost paid in full

Proposed GIF Model

We propose that the only fair and reasonable way in which to implement this fee is to assess the GIF directly on all vessels that arrive and depart the Port. There are at two straightforward steps to put this principle into place:

GRT/ NRT-Based Fee Structure

Structure the GIF on the basis of the GRT (gross registered tonnage) or the NRT (net registered tonnage) of the vessel. Under this proposal every vessel calling the Port (both arriving and departing), will be assessed the fee, including container liners, bulk and break-bulk liners and cruise ships. We envisage this model to be structured with a fee schedule computed in a graded fashion relative to the GRT or NRT of the vessel.

Berthage-Based Fee Collection

A methodology for collection of the GIF would be to assess the fee on the basis of berthage similar to the fees that are currently charged at the Port. We believe that this methodology would be easy to apply, administer and monitor and would be fair and equitable to the extent that fees would ultimately be allocated and charged back by the vessel operators to the actual users of the Port as the operators see fit.

Conclusion

We appreciate the opportunity to provide you with our comments and suggestions and we look forward to continued discussions and dialogue on this important matter.

Yours truly,



Roger Larson



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Roger L. Larson
President

March 24, 2010

Port Metro Vancouver – GIPAC Consultation
100 The Pointe, 999 Canada Place
Vancouver, B.C. Canada V6C 3T4
ATTENTION: Ms. Judy Kirk
Kirk & Co.

CONFIDENTIAL

Re: Updated CFI Brief on Port Metro Vancouver Gateway Infrastructure Fee

Ms. Kirk:

Port Metro Vancouver (the Port) has established a Gateway Infrastructure Program Advisory Committee (Committee) to assist in establishing a “*Gateway Infrastructure Fee*” (“GIF”), intended to enable the Port to recoup its portion of the total costs associated with a number of infrastructure improvements to be undertaken within the Port trade area by March 31, 2014. Total costs of these infrastructure improvements are currently set at \$676 million. The Port’s portion of the total costs has been set at \$167 million; it is proposed that they be recouped from Port users. The GIF will be the method by which the Port recovers its contribution from its industry stakeholders. The intention is to recover this fee through a mechanism that is both fair and equitable to Port users.

There have been two additional meetings of the Advisory Committee – on February 11th and March 2nd – since CFI submitted our initial brief to you on February 4. This brief follows on our initial brief and updates you on our major concerns flowing from the discussions at the three meetings to date, as well as our views on a possible path forward. We have reiterated our comments with respect to the proposed methodology for establishing the GIF, which have not changed significantly.

As I stated in our initial brief, CFI is pleased to be a member of this important Committee, to participate in the discussions, and to be an active player in the decision-making process. There are four major elements to the fee program, which this Committee is being asked to address, as follows:

- Fee Structure – how should the fee be structured?
- Fee Collection Mechanism – how should the fee be collected?
- Fee Term – what should the term of the fee collection period be – 30 year debt repayment term or shorter term?
- Fee Structure Evaluation – at what periods should the fee structure be re-evaluated on an on-going basis?

Our comments with respect to each of these elements continue to identify significant concerns as follows:

Principles

First, we need to agree to some basic principles relating to the inclusion of specific infrastructure projects, the allocation of costs among industries and other Port users, the life of the fund, and the scope of future infrastructure projects that can be added:

1. GIF recovery should be based on the commercial value of only the parts of the infrastructure projects which can be directly linked to shipper commercial benefits;
2. Bulk shippers should not pay a disproportionate share of the GIF, the maximum that should be allocated to bulk industries is their percentage of total Port vessel movements;
3. The life of the GIF recovery should be fixed to the currently approved projects and end with the recovery of each payer/shipper's allocation of the approved costs; and
4. No future infrastructure projects should be added without the agreement of the GIF payers.

These principles should be discussed by the advisory committee and if agreed, applied to the four models presented and any alternatives so the Committee members can understand the implications for the differing fee schedules.

Parameters for the Fee Structure

If Port users are to be asked to ultimately agree on a GIF that will be applicable to everyone impacted by the infrastructure improvements, then it will be crucial that the fee structure be designed in a manner that does not disproportionately financially impact any one user group whether that be the bulk sector, container sector or other users of the Port. We have discussed this issue with our members and have agreed on a number of basic parameters, which we believe should set the foundation for the GIF. These include:

- The GIF should be established in a fair and equitable manner such that no single Port user is either excused from the fee or disproportionately impacted by the amount of the fee.
- The GIF should be established as a 'flat' fee per unit of measurement, and;
- The GIF should be established in a manner that is simple and easy to implement, administer and monitor.

We have had ample time to re-examine the four GIF models described in the discussion paper that was circulated on January 22, 2010 and we continue to have the following concerns:

Model #1: This GIF model is based on the value of the goods. This model may, in our view, have some merit but requires further study. Our major concerns with this GIF model are:

- 1) that it will ultimately involve the definition of a multitude of commodities in order to make it comprehensive (It is presently restricted to 23 broad commodity groups which would have to be extended considerably probably to the 5 digit STCC level to make it indicative of all commodity users),
- 2) it is complex in nature (involves values that are very fluid),
- 3) it will require extensive on-going maintenance, administration and monitoring, which could require considerable resources at a cost to users (and by users who are not all defined at this time) to make it economically feasible and workable. It was pointed out at the January 22 meeting that trying to establish the appropriate level of commodity description and associated values for all of the products handled at the Port under this model will be a "*hornets' nest*". In order for this model to be effective, it would be necessary to revisit the commodity values at regular on-going periods, and
- 4) in addition, the use of this model would be restricted to only commodity shippers and receivers as the model excludes non-commodity users such as the cruise lines and pleasure boat operators, which move no products per se through the Port, except people.

Having said that, this model is nonetheless worthy of further study and examination – but it must be simplified, made considerably less difficult to administer and monitor and, in addition, must be extended to non-commodity users by in order to be made both economically and practically feasible.

Model # 2: This GIF model is a purely commodity tonnage-based GIF model based on cargo weight. Bulk products including potash, grain, sulphur and other resource-based goods comprise a disproportionately large portion of the total goods handled through the Port (75%) by weight and volume and these users – CFI

members included amongst them – will most certainly carry a disproportionate share of the total fees collected under this model. As Mr. May of the Western Canada Shippers Coalition eloquently stated at the January 22 meeting, assessing fees solely on the basis of tonnage would be equivalent to allowing the “*feather shippers*” to essentially “*get off free of charge*”. This model, in our view, is unacceptable to the extent that it captures only the cargo users of the Port and applies a disproportionate share of the total infrastructure costs on bulk shippers and, in that context, warrants no further consideration.

This model further assumes that cargo and TEU volumes will remain constant over the next five years which will keep the 75%/25% cargo/TEU volumes constant. Canada is, however, a trading nation and our exports, particularly in the resource sector, tend to fluctuate dramatically year-to-year. It will accordingly be very difficult, if not impossible, to forecast exactly how much sway there might be over the next thirty years (the life of the infrastructure projects), in the present 75%/25% infrastructure fee weights apportioned to cargo vs. TEU tonnages. We find the potential for sudden and possibly significant shifts in commodity trade to be particularly discriminatory under this model.

Models #3 and #4: Models #3 and #4 are both valid attempts to modify a pure cargo-based system of infrastructure fees either by cargo weight or cargo unit length. The greatest strength of these two models is that they both recognize the need to adjust pure volume by some factor reflecting usage of the port, however both models fail to provide a convincing rationale for their basis and accordingly come across as artificial adjustments.

Furthermore, as with all of the models described in the discussion paper, Models #3 and #4 fail to capture the non-tonnage users of the Port who, to one degree or another, certainly will also benefit from the infrastructure improvements that are designed to improve the overall operations of the Port. Subject to further study and analysis, CFI is inclined not to endorse either Model #3 or #4.

That is not to say that there is no way in which to establish a tonnage-based fee structure that is, on the one hand, fair and equitable to users and, on the other hand, covers all of the costs related to the infrastructure projects that are required for the ‘wear and tear’ on the Port. We are accordingly proposing the addition of a more equitable version of Model 2. Previously we described this as Model 5; however that minimizes that it is primarily an improvement of the volume-based Model 2.

Proposed GIF Model 2A (A- amended)

The most reasonable way in which to implement this fee is to assess the GIF directly on all vessels that cause ‘wear and tear’ on the Port infrastructure – that is, in any manner use, arrive and depart the Port and to structure the GIF on the basis of the GRT (gross registered tonnage) or the NRT (net registered tonnage) of the vessel. Under this modification, every vessel using the Port will be assessed the GIF, including container liners, bulk and break-bulk liners, cruise ships and likely, private vessels. We envisage this model would be structured with a fee schedule computed in a graded fashion relative to the GRT or NRT of the vessel.

An alternative methodology would be to assess the fee on the basis of berthage similar to the fees that are currently charged at the Port. This methodology should be examined as an alternative to the gross registered weight or tonnage model noted above. In either case, this methodology would appear to be easy to apply, administer and monitor and would be equitable to the extent that fees would ultimately be allocated and charged back by the vessel operators to the actual users of the Port as the vessel operators see fit.

We believe this model will be the most fair in terms of accurately reflecting the ‘wear and tear’ on the Port. Every vessel that uses the Port – regardless of what it is carrying – is responsible, to one degree or another, for a portion of the ‘wear and tear’ on the Port infrastructure.

Eligibility for Inclusion of Costs under the GIF

The GIF calculations should be limited to the directly-linked commercial value of the infrastructure improvement. This should be established as the value that would be placed on the work by the private sector, as opposed to by the government. This will help ensure that these projects must be executed carefully and diligently, paying meticulous attention to the end cost and bottom line, and the extraneous non-commercial portions of any infrastructure projects will be excluded.

Proposed Fee Collection Mechanism

The mechanism put in place to collect the GIF fee must be transparent, administratively efficient, timely and structured in a manner that ensures that the fees collected from any particular user group can be tracked back to the infrastructure costs associated with Port facilities used by those shippers.

For example, fees assessed to potash shippers should be tied directly to the costs associated with the infrastructure improvements on the North Shore where all of the Vancouver-bound potash is delivered and handled. The GIF proposal identifies \$59 million industry contribution for the six projects to be pre-funded by the Port according to the January 19, 2010 Draft Consultation Discussion Paper. Similarly, fees assessed to other shippers should be apportioned in a similar manner, pro-rated (based on volume) and tied only to the direct costs associated with infrastructure improvements on relevant projects. Simply stated, we do not wish to cross-subsidize other users of the Port who, because of model design or the collection mechanism, end up paying a GIF which falls disproportionately short relative to the value they receive from the infrastructure improvements.

We agree with the three broadly defined port GIF areas set out in the discussion paper (*Roberts Bank Trade Corridor, North Shore Trade Area and South Shore Trade Area*), and propose that the fees ultimately collected from a specific Port user be tied directly to the infrastructure improvement costs defined in the specific area within which the user has Port facilities and/or uses Port services. Similarly, the Port should not have the arbitrary right to add projects to the fund.

Fee Term

We would suggest that various GIF pay-back periods and cost of capital utilized should be examined carefully. The total term over which the GIF is to be collected should not be longer than commercially necessary, but in no event longer than 30 years.

Fee Structure Annual Monitoring and Evaluation

Regardless of the fee structure ultimately implemented, it will be imperative that the structure be monitored by an outside neutral body including the GIF payers and supported by audit reports separately from Port operations, preferably an independent accounting firm. This will ensure the GIF is independently evaluated and ensure shippers have the knowledge to call for the GIF to be adjusted as required. We recommend that the evaluation be transparent and simple in approach, such as:

- Amount of fees collected
- Amount of capital improvement cost still owed
- Projected date when GIF fee will pay off the improvement costs

List of Infrastructure Projects

The specific infrastructure projects described within each trade area in the Consultation Discussion Paper dated January 19, 2010 and in the table dated February 24, 2010 which was circulated at the meeting on March 2, have been designed to alleviate road/rail conflicts and congestion within the PMV area, to increase velocity along the rail corridors within the port area, to enable terminal expansion plans and improve access to terminals, and to increase rail and truck capacity within the port area. The specific projects are described in only a general manner and there are no substantive details breaking out the costs and benefits of each project to the cargo or non-cargo users of the port.

The “*Stakeholder Benefits*” that are described in the table dated February 24 are clearly targeted to the rail carriers. For example, with respect to the six specific North Shore projects, it is stated that the benefits will accrue in the form of:

“additional cargo capacity by increasing mainline rail capacity and rail yard capacity”; “moving traffic off of the mainlines”; “enabling longer train lengths”, and; “anticipated growth in rail and road traffic while providing community and environmental benefits.”

Aside from improvements in transportation service - which we agree will benefit shippers - most of the benefits appear to flow directly to the railways and the public. The productivity gains experienced by the railways (CN in particular) will be substantial and these gains will eventually translate into lower rail operating costs and higher

contributions towards the fixed costs of the railways. They will also bring about increased revenues from the carriage of larger volumes of goods over their lines to and from the Port. Similarly, overpasses and improvements that benefit road and pedestrian traffic do not necessarily add commercial benefit to the shipper.

It is important to recognize that all of the bulk shippers moving products on the North Shore are both physically captive (served by a single railway at destination), and economically captive to the rail mode (volumes cannot be economically trucked long distances or in congested areas even short distances). The leverage of captive shippers at the negotiating table will accordingly be constrained by their captivity. Bulk shippers are therefore unlikely to benefit from these railway productivity gains in the form of lower rail rates. Unless a mechanism is developed within the infrastructure fee program to require the railways to share a reasonable portion of their productivity gains that they obtain from these infrastructure projects with their customers, shippers will end up paying twice, for the infrastructure improvements paid directly by the railways and then also for the GIF.

Certain of the infrastructure projects in the North Shore trade area should have a further review. For example, one project in particular involves the construction of a new concrete and steel rail bridge over Lynn Creek to widen the existing port rail corridor. The justification for this expense (over \$10.5 million to be passed down to port users, this is 50% of the total bridge construction cost) is that it will increase road and rail capacity, enable longer trains to move, and improve productivity. Cargo shippers are expected to cover \$10.5 million of the total bridge replacement cost. The issues here are why shippers and terminals should be expected to pay for rail bridges. The rail portion of rail bridges are traditionally funded out of the freight revenues (freight rates) the railways collect from the movement of goods across their total system, in the same manner as other rail infrastructure that is located totally along and within the railway's right-of-way is funded, so why would shippers be expected to pay an additional share (since the railway has already covered the rail portion and will be passing this cost on to shippers in their rates).

One must question whether any of the rail efficiencies and productivity gains resulting from this new rail bridge will also be passed down to shippers by CN once the bridge is constructed in the form of lower rates. There is certainly no assurance from anyone that this will happen.

What is more likely in our view is that the rates charged to shippers moving goods over this bridge will increase. CN and CP are identified at page 5 of the Discussion Paper as contributing \$66 million in total costs related to the 17 infrastructure projects in the three trade areas. We are concerned that shippers will ultimately pay twice for the infrastructure projects, including this bridge – once in the form of (the allocated part of) the \$167 million in total fees imposed by PMV and a second time through higher rates set by the railways to recover the \$66 million in costs they will incur on their portion of the infrastructure works. It will be a significant challenge to negotiate reduced rates due to efficiency improvements, yet only a part of this total cost is truly tied to a rail benefit.

We would highlight that it is a recognized principal of railway pricing economics that all of the costs associated with the handling and carriage of goods over the lines of a railway must be recovered through the railway's rate structure in order for the railway to remain viable and to satisfy its shareholders. The bridge in question constitutes 'a long run variable expense' of the part of the railway; its reconstruction is required because of the volumes of goods moving over it (which vary over time due to demand), and its reconstruction will support increased volumes of goods moved over it in the future. Our recommendation would be for a mechanism to be developed within the infrastructure fee program to ensure that none of the \$66 million in railway funding is passed down to shippers through freight rate increases during the life of the projects.

Capping the Proposed Infrastructure Fee Program

The Consultation Discussion Paper states at page 5 that the costs of the 17 infrastructure projects listed in the Discussion Paper will be capped at \$167 million, plus carrying costs, over the projected life of the program which is anticipated to run until 2040; this is the anticipated debt-service term. On page 12 it states that "*The fees will be revenue neutral to Port Metro Vancouver, so PMV will recover only the money directly invested in the projects and the carrying costs relating to GIF recovery.*" At page 12 it also states that "*Once capital improvement and debt service costs have been recovered, the GIF will be removed.*" These points were reconfirmed at the March 2 meeting.

One concern is that additional projects will be added to the funding list which will require additional funding over and above the \$167 million identified to date and that these costs may be added to the existing GIF, or result in a new GIF. Our concern is warranted as it is stated at page 5 that “*As Gateway development continues and further projects are brought forward, Port Metro Vancouver will consult with stakeholders about how projects closely related to the development of the port, and directly benefiting port stakeholders, could be funded by a funding mechanism.*” We believe all shippers will object to the imposition of any additional GIF that does not meet the principles identified at page 2 of this brief.

Conclusion

In closing, CFI members support the assignment of port infrastructure fees related to projects identified in specific trade areas to port users who use those trade areas, i.e., make the fee trade area specific to users.

At the same time, our assessment of the current GIF proposal shows:

- that there are benefits that will accrue to non-shippers, these need to be allocated to the non-shippers such as the cruise line operators and pleasure boat operators,
- that shippers are being asked to cross-subsidize public benefit by paying for the portion of the infrastructure that truly is of benefit to the general public,
- that shippers will pay for rail infrastructure through rail freight rates and then again for the public portion through the GIF, and meanwhile will not benefit from rail efficiency gains, and
- that there is insufficient assurance that once a shipper has paid their properly allocated share of the GIF their fees should stop.

CFI recognizes that our members will obtain certain commercial benefits as a result of the various infrastructure projects slated for the PMV trade area. At this point in time those benefits continue to be undefined or inadequately quantified. It is essential that this information be provided, first. CFI members who move product through the Port are willing to pay a reasonable share of the total infrastructure costs. Our members and other bulk or commodity shippers will object to being told to pay 90% or more of the total costs when they only account for about 75% of the volume moved through the Port.

We appreciate the opportunity to provide you with our suggestions for developing an appropriate GIF Model. Clearly, substantial amendments and further information are required. We are very concerned that as this may be the last such advisory committee meeting, there will not be adequate opportunity to resolve the issues identified during the last meeting.

For this upcoming meeting, we request a thorough discussion of the principles raised in this and our earlier letter. We also ask for continued discussions on necessary revisions to the Model, and a dialogue on a detailed allocation of infrastructure benefits to all groups – not just commercial shippers.

Yours truly,



Roger Larson

Chris Chok

Subject: RE: GIPAC

From: Craig Williams [mailto:Craig.Williams@cme-mec.ca]
Sent: March-04-10 9:58 AM
To: judykirk@kirlandco.ca
Cc: pboileau@soprema.ca; dtfung@uniserve.com; Hugh Alley
Subject: GIPAC

Hi Judy,

Thank you for allowing Canadian Manufacturers & Exporters to participate in the GIPAC. We, as users of PMV and related facilities and infrastructure, feel it important that the following key principles be considered in developing the GIF:

1. Overall port/transport competitiveness is critical to ensure we are not detracting from BC's economic goals.
2. The GIF needs to be fair, effective and efficient as per your original plan
3. Simplicity in fee structure is key.
4. Annual review process for reasonableness on the fee structure is important.
5. In that some level of GIF was mandated when the funding partners came on board, we still think that the benefits/productivity improvements, for the most part, will accrue to PMV and related parties. It would then seem reasonable that the users not be required to pay for the full recovery of PMV's infrastructure costs. Some reasonable split should be determined, in keeping with good business practices.
6. The GIF should not be based on product value.
7. Infrastructure "wear and tear" is the most reasonable approach for allocating fees.
8. Other beneficiaries to the infrastructure improvements (eg. cruise ships) should be considered in the GIF.
9. The roll out of GIF will need to be clear on the cost/benefits to all parties ... especially users.

We appreciate the opportunity to contribute.

Sincerely,

Craig Williams

Vice-President, BC Division
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Stephen Brown

From: Stephen Brown
Sent: Tuesday, February 02, 2010 12:34 PM
To: 'judykirk@kirkandco.ca'; Chris Chok
Subject: GIPAC CONSIDERATIONS

Dear Judy and Chris

I wanted to share a few thoughts with you ahead of our next meeting February 11.

I suggest there are some important principals to be considered:

- Keep it simple
- Provide transparency
- Ensure fairness

With this in mind, if we are to base our calculations on amortization of \$167,000,000 over 30 years, it seems that PMV is looking to start out in 2011 by collecting approximately \$4m/year. Inevitably as cargo volumes increase, so too will revenue assuming the fee is not revised downwards.

In reviewing Model 1, as we have clearly seen in the past 3 years, significant fluctuations in commodity prices and freight rates are that such tying the GIF to either of these will require constant monitoring and revision. Considering the relatively small fees to be collected I would therefore suggest that Model 1 is unrealistically complex. Likewise, my thoughts are the same for Models 3 and 4.

I therefore advocate Model 2 but here we should not lose sight of who pays for throughput and handling costs:

- Bulk handling is invariably loaded on "free in" terms i.e. shipper pays all costs.
- Break bulk can be loaded / discharged "free in/out" but is generally handled on some form of "liner" terms.
- Containers are invariably handled for carrier (shipping line) account.

Some may therefore argue that a GIF should be applied consistently but the fact is it will need to be applied to what we might term the "controlling party".

Having reviewed the options and reviewed the numbers my suggestion is as follows:

Bulk \$0.05 / metric ton
Break bulk \$0.05 / metric ton
Containers \$0.50 / loaded TEU

Having looked at the 2009 throughput statistics this would generate:

Bulk	55m tons x \$0.05 =	\$2.75 m
B.bulk	15m tons x \$0.05 =	\$0.75 m
Containers	2.5m x \$0.50 =	\$1.25 m
Total		\$4.75 m

The rationale for the multiple of 10:1 between containers and a ton of break bulk is an average TEU weight of around 10 tons. I would also comment that whilst the annual fee collection is slightly higher than envisaged by PMV, everyone is

cognizant of the benefits of reducing the time of loan amortization. A similar consideration will come into play with an expected increase in throughput volumes and consequently also GIF revenue.

The one sector here that might argue against inclusion and "seek a break" is export raw logs on account of the fact that all are loaded direct from water at Fraser Surrey Dock and are therefore independent of supporting shore side infrastructure. Even so, it might be argued that management of the Fraser River itself comes into play but we should not lose sight of the potential for "discussion".

So far as collection of the GIF is concerned, perhaps the cleanest approach is to collect in tandem with wharfage on cargo but account for as a line item in port revenues. This will I believe provide for the necessary level of transparency.

Please revert should there be any questions ahead of Feb 11 and I look forward to hearing the views of others.

brgds
Stephen

Stephen Brown
President
Chamber of Shipping of British Columbia
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Direct 604 628 6131
Cell 604 603 4182
stephen@cosbc.ca

Chris Chok

From: Stephen Brown [stephen@cosbc.ca]
Sent: Thursday, March 25, 2010 7:52 AM
To: Chris Chok
Cc: Chappell, Richard; scott.galloway@portmetrovancover.com;
peter.xotta@portmetrovancover.com
Subject: RE: Port Metro Vancouver GIPAC - Submission from Canadian Fertilizer Institute

Dear Chris

Pls forgive a short reply to Mr. Larson's proposal as I'm currently overseas.

Delegation of the GIF directly to vessels serving the bulk sector is not acceptable. The three GIF projects in question are specifically designed to improve shoreside infrastructure used by cargo interests and are unrelated to providing improved vessel access to or from the port.

It would therefore be unreasonable to place the burden of trying to charge the GIF back to shippers on the shoulders of bulk vessel owners. Such a proposal is disingenuous since as we all know well, such back to back charges would not be accepted by shippers.

As we have previously remarked, the true measure of wear and tear of infrastructure, whether road or rail, is the level of weight utilisation. In that context, 1000 tons of feathers weighs the same as 1000 tons of fertilisers and we therefore continue to advocate Option 2 as the realistic solution.

sincerely
Stephen

Stephen Brown
President
Chamber of Shipping of BC

From: Chris Chok [mailto:chrischok@kirkandco.ca]
Sent: March-25-10 7:10 AM
To: 'Chris Chok'
Subject: Port Metro Vancouver GIPAC - Submission from Canadian Fertilizer Institute

GIPAC Members:

Attached, please find an updated submission from Roger Larson of the Canadian Fertilizer Institute.

Thanks,
Chris

Chris Chok
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Chris Chok

From: Don Sorochan [DSorochan@millerthomson.com]
Sent: Thursday, March 25, 2010 3:34 PM
To: Chris Chok
Cc: Les Suzuki; Daniel Kiselbach; jnott@iecanada.com
Subject: Port Metro Vancouver GIPAC -- Preliminary submissions of IE Canada
Attachments: pic10684.gif

Importance: High

The Canadian Association of Importers and Exporters Inc., now known as I.E.Canada, represents private sector importers and exporters of virtually every commodity and related service. The association has over 800 members across Canada and abroad, consisting of individuals or companies with a legitimate interest in Canada's international trade.

I.E.Canada as a national organization is committed to enhancing the international trade activity and profitability of its membership through consultation to further the interests and address the concerns of its members on any trade-related subject and to represent members and convey their views on international trade issues to government and public agencies. I.E.Canada appreciates and welcomes the opportunity to participate in the consultation process of the Gateway Infrastructure Program Advisory Committee (the GIPAC).

I.E.Canada supports the investment of, and leveraging of, Provincial and Federal funding in supply chain improvements beyond traditional port activities and lands. I.E.Canada also recognizes the great benefit to having a smoothly operating port by the removal of recognized bottlenecks and impediments to cargo movement by the projects in the Gateway Infrastructure Program.

The nature of the proposed Gateway Infrastructure Fee (GIF) and who will bear the costs of the infrastructure improvements through the payment of that fee, raises within the membership of I.E.Canada many of the same issues and concerns that have been raised by other members of GIPAC.

I.E.Canada has a broader and more diverse membership than that of other some other members of GIPAC. Our members may have differing points of view. For that reason, I.E.Canada sought to make its detailed submissions after it has had an opportunity to consult its membership during the broader consultation process. However, preliminary submissions prior to full consultation were sought by GIPAC and are being provided in the spirit of the consultation process. In making these submissions, it should be recognized that I.E.Canada will benefit from and be guided by the specific input of its members during the broader consultation process, after which our submissions may be modified and will undoubtedly be expanded upon.

However, there are a number of points that we do believe can be made now:

1. The GIF fee calculation and collection should be simple.
2. The GIF fee should not act so as to adversely affect the competitiveness of the Port.
3. The GIF fee should have a review mechanism built in to assess the fairness of the charge on an on-going basis.
4. In presenting the GIF fee to stakeholders, emphasis should be put upon the overall benefits to the Port and its users rather than attempting to justify the charge by a micro-analysis of benefits.
5. There should, however, be a clear demonstration of the benefit to Port users to establish that the benefits exceed the cost.
6. Model 1, with its focus on (potentially fluctuating) value is not an appropriate model.
7. The evaluation of the other Models requires further information to assess the actual cost implications to various users. It would be useful to further identify these actual cost implications for the broader consultative process.

From the perspective of much of the membership of I.E.Canada, the competitiveness of the Port is a significant factor. I.E.Canada's importer and exporter membership does not rely solely upon marine facilities to conduct their businesses. The members face fierce competition within their respective business fields. Because of this, they have an on-going "real-time" awareness of costs they incur that may adversely affect their competitive position. Therefore, the GIF fee should not be so onerous that importers and exporters will use other modes of transport or other ports for their business activities.

I.E.Canada will make further submissions after further consultation with its members during the broader consultation process of GIPAC.

Donald J. Sorochan, QC
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(Embedded image moved to file: pic10684.gif)Miller Thomson LLP

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VANCOUVER TERMINAL
ELEVATOR ASSOCIATION

February 24, 2010

Ms. Judy Kirk
President
Kirk and Company Consulting Limited
402 – 1250 Homer Street
Vancouver, BC V6B 1C6

Dear Ms. Kirk:

Re: VTEA Submission on Port Metro Vancouver Gateway Infrastructure Fee

At the most recent meeting of GIPAC we discussed the 4 models as possible options for collection of the Gateway Infrastructure Fee. After going around the table it was apparent that none of the models came close to being supported by consensus of the committee. Individual committee representatives stated that even within the group they represented there were divergent views on the various models. It is our belief that there are a number of underlying issues that need to be resolved, prior to looking at the viability of any collection model that as stated should be fair, effective, efficient and transparent.

Trade Areas

- Discussions regarding trade area projects were held with tenants local to that trade area. Conversely, tenants represented through various associations are now being asked to address a fee collection mechanism and potentially pay fees supporting development in a competing corridor with which they have limited knowledge.

Project Approval Process

- Our members have been consistent throughout the history of this program that proceeding with any project should be based on clearly defined benefits. Those benefitting from the project should be the principle source of reimbursement of the “tenants” share of the costs.
 - PMV states that the projects proposed under GIP are “supported by independent analysis”. A review of the analysis of each project should help to define the beneficial parties which should then form the basis of

.../2

the GIF structure. Without a clear understanding of the benefits some members question how any of the GIF models can be evaluated to meet the fairness test.

- When we bring projects forward to our owners we need to be able to demonstrate the benefits of these projects. These projects must show a financial return worthy of consideration or they do not receive approval. Our Association struggles to find any measurable benefit to us for going forward on such an investment with these projects. This was made clear to the Port at all of the earlier meetings.
- It was noted at the meeting on March 2nd that the Port will go through Transport Canada to get cost benefit analysis for all projects.
- It is our opinion that that some projects have little or no merit and should be reviewed by the Port and Transport Canada to determine if they should be included. In particular the Powell Street overpass.

Determination of Recovery Amount

- Some members are confused regarding how the tenants' share of cost was determined. As an example, in May of 2009, the Terminal Operators contribution for SSTA projects was deemed to be \$15 million. Under the current GIF proposal the amount to be funded has risen to \$58 million. Clearly something has changed to shift the "deemed" funding. We need to understand this change.

Inclusion in payment of GIF: It has been stated that cruise ships will not be part of the program because the Port sees no measurable benefit to that industry from these projects. The VTEA takes the position that if the Port is convinced that cruise ships get no benefit they should be able to demonstrate to us who does. Having then identified the benefits to be derived we will then be able to share this with our owners, who are being asked to fund these projects. Where the benefit is not clearly identified, all users should contribute to the cost of the projects. It was also stated the cruise ships are subject to fees that others are not. We do not believe they should be unfairly treated but can some of these fees be applied to the GIF?

I also wish to note that the chart on the benefits of the projects called the list of contributors "proposed". I believe this is in keeping with the messages from the City of Vancouver and Translink, who both indicated they had no money to support these projects, hence the reason we might have been included in Powell Street when the original comments were that "*terminals would not contribute to Powell Street.*"

Stipend:

We do not agree with the notion of a "stipend". PMV pre-funding with repayment terms which includes interest and principle in essence is a loan. Payment of an additional amount as a stipend is not commercially reasonable.

.../3

Models:

For the reasons stated above our Association finds it difficult to fairly comment on the presented models. Better understanding the benefits of each project will provide the basics required for member input. Unless our members can clearly understand the benefits of the projects, they must assume that the majority are for the benefit of the Port, Port users and community in general. On that basis there is merit to a GIF model that will include all Port users including cruise ships and others that occupy Port lands. This way it shows fairness across the board and all users of the Port are part of the repayment process. It would possibly have an impact on reducing the payment term as well.

Fee Term:

We feel that the term should be no longer than 30 years and should be reviewed every 5 years. 5 year terms with a review of the best payment structure available at the time. If there is a surplus available, due to growth in port's productivity, same should be applied to the debt in order to pay it down as soon as possible.

Conclusion:

The VTEA appreciates the opportunity to provide you with our comments. We look forward to continuing our discussion on the GIF.

Yours truly,

Vancouver Terminal Elevator Association

Dave Kushnier

Vice President



Western Canadian
Shippers' Coalition

31 Centennial Parkway
Delta, British Columbia
Canada V4L 2C3

Telephone (604) 943-8984
Fax (604) 943-8936

1 March 2010

Ms. Judy Kirk
President,
Kirk & Co. Consulting Ltd.
402-1250 Homer Street
Vancouver, BC
V6B 1C6

Sent Via Email

Dear Ms. Kirk;

Recently members of the Western Canadian Shippers Coalition (WCSC) reviewed the latest details of the Gateway Infrastructure Fee (GIF) consultation process. A number of questions arose from that discussion. I have been instructed prior to posing those questions, to share observations concerning both the concept and process of the Gateway Infrastructure Plan (GIP) and the proposed fee associated therewith.

You may recall from the first meeting of the Gateway Infrastructure Fee Advisory Committee (GIFAC) my mention of the fact that the WCSC membership is diverse both in terms of products produced and corporate size. It is therefore significant to note there was unanimous agreement on the following observations:

The manner in which this process is unfolding is incongruent with normal business practice. It would be more typical if those who are now being asked how they wish to pay for projects to have been included in the initial timing, planning, design and costing of those projects. To be included in a consultation process that may influence the manner in which the Port Metro Vancouver (PMV) proposes to assign its portion of the project costs seems a bit disingenuous. In short, PMV undertook a significant financial obligation on behalf of port users without consultation or communication with many of them.

It is difficult to offer opinions on potential GIF models without a more accurate estimate of the cost impact on each port user.

The first of the three criteria listed on page 3 of the Consultation Discussion Paper states, in part:

The GIF is based on the principle that gateway infrastructure improvements will benefit gateway users; therefore gateway users should be subject to the fee.

It appears an assumption is being made which may not be accurate. It would be difficult to persuade a shipper who uses a facility on the North Shore that they derive benefit from an improved access to the Boundary Bay airport.

Normal practice where capital expenditures are concerned requires a cost/benefit analysis. If a net benefit is derived, projects proceed. Absent that benefit, they do not. It would appear these projects were not determined on that basis (at least for a significant number of potential fee payers). WCSC members find this to be a significant hurdle in terms of providing justification for additional expenditures to their respective boards of directors and business partners.

Please distribute a detailed cost/benefit analysis of each project to all GIFAC members at your earliest convenience in order to help facilitate a more meaningful discussion of potential fee structures.

In the interests of promoting more relevant consideration of the GIF proposal, we ask for a timely response to the following questions:

1. Given that the PMV nets approximately \$40 million annually, why doesn't the port fund the projects from its own revenues?
2. Who are the funding partners who signed an agreement in principle supporting the projects?
3. Why did consultation concerning each project exclude many who are now being asked to contribute financially?
4. Why are cruise ships excluded from the proposed models?
5. Why, in the proposed models, does the PMV percentage contribution vary from project to project?

We look forward to receiving your reply as soon as possible.

Yours truly,

A handwritten signature in cursive script that reads "Ian May". The signature is written in black ink and is positioned above the printed name.

Ian May, Chair