

**PORT METRO VANCOUVER
GATEWAY INFRASTRUCTURE FEE CONSULTATION**

**Gateway Infrastructure Program Advisory Committee – Meeting 4
March 26, 2010**

Notes from a meeting of the Gateway Infrastructure Program Advisory Committee, March 26, 2010, 1:00-3:00pm, at Port Metro Vancouver, 100 The Pointe, 999 Canada Place, Vancouver, BC.

GIPAC: Richard Chappell (for Stephen Brown), Chamber of Shipping of British Columbia
Brad Eshleman, BC Wharf Operators Association
Dave Kushnier (for Phil Hulina), Vancouver Terminal Elevator Association
Roger Larson, Canadian Fertilizer Institute
Tom Maville, Canadian Fertilizer Institute
Ian May, Western Canadian Shippers' Coalition
Bernie Magnan, Greater Vancouver Gateway Council
Don Sorochan, Canadian Association of Importers and Exporters
Craig Williams, Canadian Manufacturers and Exporters
Allen Wright, Coal Association of Canada

Port Metro Vancouver: Judy Kirk, Kirk & Co. Consulting Ltd., Facilitator
Allan Baydala, Chief Financial Officer
Peter Xotta, VP, Planning and Development
Larry Sawrenko, Director, Finance and Treasurer
Scott Galloway, Director, Trade Development
Naomi Horsford, Community Engagement Specialist
Chris Chok, Kirk & Co. Consulting Ltd., Meeting Recorder

The record notes that the meeting commenced at 1:00 p.m.

KEY THEMES:

- Participants raised the issue of sharing productivity gains from parties, such as Port Metro Vancouver and railways, whom they felt will benefit from infrastructure improvements.
 - Some participants felt that Port Metro Vancouver would see a benefit from GIP infrastructure improvements, and therefore should be contributing money to the GIP projects from traditional revenue sources
 - Participants noted there is little support for any of the models that have been proposed by Port Metro Vancouver for consultation.
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1. Judy Kirk, Facilitator – Welcome and Introductions

C: *Judy Kirk:* Thank you everyone for coming to the fourth GIPAC meeting and very particularly for providing submissions. I want to thank you very much for doing that, it's been very useful. I wonder if we could first go over the agenda, and then I would like to suggest where we might shorten up the discussion. In terms of the agenda, you can see in front of you, what we would like to do is make sure that everyone has the notes, and as we have done at every meeting, if there are any issues with the notes that we can change them. I've asked Peter to do a brief overview of the cost benefit information that was sent to you within the last 10 days or so. That's the Transport Canada cost benefit information. It was sent out by email. The summaries were sent to you, and the full reports were posted online so that you could go right to the documents, and Peter is going to provide an overview.

Then, Allan is going to provide an overview of the discussion paper that we are taking to the broader consultation. You will see that we have made some minor revisions to that paper, based on the discussions that we have had with you over the last three months. For example, and we'll get into this later, Model 4 has been taken out and instead what you will see in the discussion paper are three models, and we'll explain some of that. Then, we have reserved 75 minutes, and here is where I would recommend, because I have had now four people suggest to me that they would like to have a little shorter meeting. I'm happy to do that, or not, I would like to be led by participants of the meeting, not just a request for shortening. It's under item 4, that, if we did a 45 minute discussion, it's probably enough, but as I said, led by you. We'll go through the material in a moment to show you how I think that discussion could proceed. Then we'll have discussion of next steps, which includes what our plans are for the broader consultation in April and May, and then any further comments that people have. Any questions on the agenda so far?

Let's go over the package for a moment. Under the agenda, you have the meeting notes from last meeting and the revised discussion paper. We will discuss the highlights of the revisions to that paper. Very importantly, what you have in front of you is a large format table where we have cut and paste from your submissions, some of the key things that you have said. Not everything, and hence, we have also circulated the full submissions to the group. But to facilitate the discussion today, we have pulled some out on this table. And you can see, also attached are the submissions. The front one is the Wharf Operators, but all of them are there.

2. Review of GIPAC Meeting 2 Notes – Judy Kirk

The meeting notes were reviewed.

C: *Judy Kirk:* Any comments on the minutes from last meeting?

- C: *Ian May*: I didn't see the links in the cost benefit stuff. I got all the documents, but there were links to further documents?
- A: *Judy Kirk*: They were contained in the email.
- A: *Chris Chok*: There is a link in the discussion paper, www.portmetrovanancouver.com/GIP. That is the project website, and the Trade Area studies have been posted there.
- C: *Ian May*: Ok. I will pick them up from there.
- C: *Tom Maville*: I just want to make reference to page 20 of the minutes, there was a discussion of the models that had been put forward. You made a comment that "there hasn't been any kind of overwhelming response that says drop a model or any overwhelming response that says we like this one. What that says to me so far, and you should hear this from me, so that you get a sense of the advice I'm going to give the Port. It's right now that the discussion paper would stand". I just wanted to remark that, certainly, CFI has made its views very well known on which models they like and which models they don't like, and have gone so far as to provide an additional model. I would just like that recognized in the minutes. In fact, I did a bit of an analysis and came to the conclusion that close to 75% of the shipper associations at this table have said that the models that are there in the discussion paper will not work for them, and that some thought needs to be given to looking at alternative models.
- C: *Judy Kirk*: You will see that the table that indeed that is pretty clear. But in terms of the discussion paper and the broader consultation, the only thing I was saying to the group, and I stand by, is that we will be going out more broadly, and make sure that people know, and I will be summarizing this discussion, that there has been a view that none of the models so far have been supported as something that you would go with. All I'm saying is that there has been no coalescing of thought or support for any one model, there has been real divergence. The only place, frankly, there has been some opinion in support of 1, some opinion in support of 2, and almost unanimous lack of support for 3 and 4.
- A: *Allan Baydala*: Can I just make a point on that. There have been a couple of expressions that the fundamental of models 3 and 4, that they go to wear and tear, which has been supported, even though the whole model of 3 and 4 hasn't been supported. But there has been that point in 3 and 4 that has had some support.
- C: *Tom Maville*: Thank you, I appreciate that response.
- C: *Roger Larson*: I think what you have said is accurate, but I would add to it that there is an overwhelming majority of the input, and I think you've done a very good job of reflecting it in this spreadsheet, that all of the models, as presented, do not work, do not represent fairness. And I think to say only that there is no unanimous support or strong support for a model leaves out the point that there is almost unanimous support for the view that none of the models work.
- C: *Judy Kirk*: Here's the thing, Roger. I have not written the consultation summary report, and I'm not going to, until we are finished the process. While I would make a remark at the last meeting and even here, as you do, in the course of the meeting, I'm not prepared to do a complete analysis of the feedback and report out. So that finer grain commentary would be done in the consultation

summary report. Fair comment, and I hear it, but it's not something that would be reported now.

3. Benefit/Cost Analysis – Peter Xotta

C: *Judy Kirk:* So hearing no further comments on the notes, but noting what we have heard, I would like to turn it over to Peter and ask him to give an overview of the cost-benefit information that was provided through the Transport Canada reports. I would like to say that there have been many questions about this, and this is the Port trying to provide you with the information that has been made available.

C: *Peter Xotta:* In the few minutes provided for this, I thought I would talk a little bit about the process that we ran through with Transport Canada and arriving at the benefit-cost that are articulated in those reports that I assume you have had a chance to look at. Perhaps Ian, you'll follow up with that. From our perspective, this really represented, and starting with the Roberts Bank Rail Corridor, signaled a different way of doing things, by virtue of the partnership with not just the commercial entities that were at the table, different levels of government, and certainly the municipalities signing on to this. There were 14 different signatories to that agreement in principle and that really encouraged us. We felt that some of the issues that had been identified, some of the commercial perspective in terms of capacity and service, but also some of the social issues that we're struggling with in terms of what the appropriate role is for the gateway partners in terms of resolving. I guess the point that I would make with regard to the benefit cost that has been identified, certainly, the basis for moving forward is that the studies pointed to it being positive, but what we're being asked to consider here is a small proportion of the total cost. So we viewed it as a deal that was worth moving forward with, and hence our conversation here today.

The benefits in the studies were led and contracted through Transport Canada. With regards to the Roberts Bank Rail Corridor, the study was completed by ND Lea in 2007. It took a multiple account evaluation approach, looking at financial, customer service, economic, environment, and social benefits. Road benefits were estimated in terms of both passenger vehicles as well as bus and commercial truck trips. We incorporated into that study the results of our rail modeling out to 2025, using data that the Port had contracted with Mainline Management who has done work for the Port throughout the region. Based on the study, the benefit-cost ratio identified for RBRC was 0.7. It does not account for one of the principle benefits of Port users, which is increased capacity. This corridor, in particular, is one that we anticipate a tremendous amount of volume and growth over the next 30 years ranging from 39-77% by 2040 or 2050, as high as 87 million tons. In the absence of these infrastructure improvements, we estimated that we would be running into capacity constraints somewhere between 2025 and 2030.

With regard to some of the questions that we have had about the nature of the rail improvements, particularly, I wanted to talk about, as an example, the improvement at 232nd Street. Some of the comments that we have received relate to the fact that these appear to be for the benefit of the community in the vicinity of the infrastructure, rather than deriving a commercial benefit in terms of additional capacity of fluidity for the rail corridor. So 232nd Street, for example, is where there is a siding extension planned by CP Rail to permit trains that are staged, both for Roberts Bank, that can't currently stage because of the hump that exists there. You end up with loaded coal trains not being able to stop there because on balance, it can't restart there if it stops on that particular section of the corridor. As a consequence, it will stop on the CN stage, leading to Thornton. That will create a conflict as volumes increase. That's one example – I can run through more examples near Deltaport that have, in our view, both commercial and public benefits.

I'm going to switch to the North Shore Trade Area. That study was completed by SNC Lavalin in 2008. Once again looking at the benefits to road users from to improvements in the road network, but also principally looking at additional port rail capacity – the study concluded a benefit-cost in the range of 1.3-2.6, with the exception of Western Lower Level Road extension to Marine Drive, which is really frankly, much more of a community benefit, but we are not contributing any funds, which is something that I wanted to point out.

Moving to the South Shore Trade Area, that study done once again by SNC Lavalin, completed in March 2009. We looked at 5 candidate projects there, and eliminated 3 of those and settled on the 2 projects that we are here talking about here in this process, Stewart Street and Powell. Once again, the purpose of those is to eliminate the road rail conflict and add greater rail capacity in the vicinity of those projects. The estimates for benefit-cost are 1.47 for Stewart Street and 1.7 for Powell Street. Again, on the basis of the full project cost, not the portion that we are talking about here.

With regard to another example that would result from a rail investment perspective, one of the projects that we are talking about is 41B Street overpass near Deltaport. As we speak, the sidings in the gulf area, which are those closest to the causeway, but not on the causeway, are being extended across 57B. As a result of the closure of that road which has been approved by Delta council and permitted through this process.

- C: *Judy Kirk*: Any questions or comments on this material?
- C: *Roger Larson*: These, and I don't pretend to understand all the depth, but these seem to show a broad benefit-cost analysis for the projects, in total, without identifying what the commercial value to an individual terminal or ship are. Am I missing that?
- A: *Peter Xotta*: I think, certainly, the analysis was done at the corridor level in terms of the benefit, GDP, etc. At the Port of corridor level, rather than the terminal level. Obviously, you can see that some of the projects have more

- direct benefit to individual terminals than others, but that was the nature of the analysis, whether the spend would derive some sort of benefit.
- C: *Roger Larson:* Which makes sense for someone like Transport Canada, to conduct that kind of analysis before they commit to infrastructure funding. But it doesn't answer the question that I think we thought we were posing at the last meeting, as to what the benefit-cost was for the shippers of these projects, so they could understand why those allocations that are identified would be seen as fair.
- C: *Judy Kirk:* And in fairness to the Port, and I think what they said, and it is reflected in the notes as well, is that they were not sure that they could get you any cost-benefit analysis, and I think they said it several times, with respect to the commercial benefits. But rather, that they would get you what they could around the Transport Canada analysis, because they knew that that, indeed, was something that was done and would be available. All I'm saying is that there has been disclosure, with respect to your question.
- A: *Allan Baydala:* The trade area study was not done with the intent to show specific benefits for particular terminals. The key terminals were at the table and supported the projects. I'm just looking at the North Shore Trade Area one – they realized that there were systemic advantages and benefits. And I do not believe, not having been at the table, there was not an attempt to show the benefit on a terminal by terminal basis.
- C: *Judy Kirk:* Or a request.
- Q: *Roger Larson:* If there wasn't a request, was there an understanding that the shippers would be expected to pay?
- C: *Allan Baydala:* Yes, I believe so.
- Q: *Roger Larson:* So what you are saying is that the terminals that were participating agreed that this was sufficient cost-benefit analysis to commit to paying a share of the cost?
- C: *Brad Eshleman:* I think there is an inconsistency in the different trade areas in terms of the level of participation of the terminals. So you can't talk about it in global terms is probably correct. On Deltaport or the Roberts Bank Area, there wasn't much discussion or any with the terminals. On the North Shore, there was much more participation with respect to it. But there was a realization that there are benefits, but there was a concern about how the fee was going to be calculated and determined for each terminal, and they wanted to see some relationship between the fee and the benefit. That was the concern that some terminals had in not signing off on the agreements in principle. The terminals didn't sign those, because they didn't know the details of what fee they were going to be charged, and they wanted to see some relationship between the fees and the benefits. On the South Shore, I think there was less consultation as well, it got moved through kind of quickly. There was probably more consultation on the North Shore than on the South Shore also. There was inconsistency throughout, so it's hard to globalize it.
- C: *Roger Larson:* I can only be familiar with some of it, but even on the North Shore...

- C: *Brad Eshleman:* Actually, Roger, to your point, yes, the point was made that they would like to see some relationship between the fee and the benefit. That was stated.
- A: *Peter Xotta:* We take the point in terms of consistency, but there is no doubt that the Agreement In Principle that was circulated, whether they be funding participants or stakeholders, included the provision, at our request, that the Port was going to be making contributions with a view to implementing a cost recovery mechanism. Brad is absolutely correct that there was a level of reservation around the structure of that, and there was a lot of detail that was not available at the time, and hence why we are here.
- C: *Tom Maville:* Speaking to the benefits, it's clear from the work that was done that rail is going to be a major beneficiary in every trade area, particularly on the North Shore. The benefits to rail can be identified and quantified, and I would ask that some attempt be done to do that. When this work is completed, there will be longer trains, heavier cars, probably faster cycle times, fewer switching, and fewer derails, things like that. Those things can be identified and quantified. I would suggest that they should be addressed to the railways to answer those questions, because right now we don't know what the service improvements that the railways have are, we simply don't know, or where they are going to be in fact. It would be nice to be able to link the service improvements back to these trade areas, and at least we could see the benefits identified there.

My bigger concern, and I'll state it again as I did at the last meeting, I believe shippers are going to be paying twice for these infrastructure projects. The \$67-68 million that is the railway share. We know they are going to collect that money back through the freight rate structure. Railways don't price below cost. Historically, they were required by law not to price below cost. So we know they are going to collect that money through the freight rate structure. That money is going to be collected from the shippers. In addition, the shippers are going to be paying the GIF. So my concern is, are the shippers going to be paying twice? The productivity gains that the railways realize, will result, eventually, I'm going to say 4-5 down the road in lower costs of operations. Are any of those going to be passed back to the shippers? There is no obligation, but certainly, it would be nice to get a statement from the railways that yes, we will do so, or no, we will not.

- C: *Judy Kirk:* I've noted that in some of your other conversations as well.
- A: *Allan Baydala:* That was in Roger's last letter that you would be paying twice, and I didn't understand that point. I see the argument that someone will be paying the \$66 million and the \$167 million, but those aren't the same dollars.
- C: *Tom Maville:* The other way to say is that shippers are going to be paying \$250 million, instead of \$167 million.
- C: *Roger Larson:* Rather than saying we're paying twice, it's that we're going to be paying 100%. It's not that shippers are only going to be paying the GIF and therefore we shouldn't be complaining about paying. We're going to be paying the portion identified under the GIF, and the portion that is being contributed by the railways. And therefore when you look at the impact on shippers of the cost they are bearing, you have to look at the entire cost they are going to pay.

- C: *Judy Kirk*: I take issue to your characterization of 100%, because as I understand it, you are leveraging, as I understand it, \$1 to \$3 provincial and federal contributions and in some cases municipal and TransLink. So I just want to make sure that you are not characterizing the costs without those contributions, Roger.
- C: *Roger Larson*: I would like you to clarify that then, without endlessly going back to this big spreadsheet that you have sent us.
- C: *Judy Kirk*: We will do that in the course of going through the discussion paper.
- Q: *Allen Wright*: You mentioned that a number of terminals were not consulted. Why was that? Was an attempt made? There are not many in the area. There is a significant impact on the terminals. It seems to be logical that they would have been spoken to.
- A: *Peter Xotta*: Through the Roberts Bank process, what we did not consult with them on was the cost recovery mechanisms at the outset because at the time we were consulting with their operations people about what capacity they had and what the future looked like in terms of volume. There was a dimension of the consultation that was not as comprehensive as on the North Shore and South Shore trade areas.
- C: *Judy Kirk*: Was there not also an issue with respect to the timing of the federal dollars with respect to the availability of infrastructure dollars?
- A: *Peter Xotta*: The window from the time that Roberts Bank program was announced, the date of completion for projects to be eligible was always March 2014. So as we moved along the process, we had to move along fairly smartly.
- C: *Judy Kirk*: Was there a deadline?
- A: *Peter Xotta*: Only to the extent that if something is going to take 36 months to build, and you don't have that much time left in the overall program, then it's not going to happen. So we were conscious of that.
- C: *Bernie Magnan*: A couple of things. My accountant's hat went on and it's 32% and not 23% if you want to add up the railway's contribution and the GIF of the total cost of it. And yes, the shippers are going to pay it, but the people are going to pay it eventually as a customer. Just as the taxpayer, and potentially customers are going to pick up the Transport Canada portion and the BC MOT portion and the TransLink portion and the other portions. It's all going to be paid by someone. It's whoever is at the end of the line that is going to pay for it, either taxpayer or the end consumer. The question arises is, is it enough to cause the customer to not buy your product because the prices have gone up so much that they won't purchase it. I don't know the answer to that question because I'm not familiar enough with the products. That was the first thing I wanted to say. And Tom's point about productivity and perhaps the railways passing back some of the productivity gains, in charging less by not asking the shippers to pay as much of that portion and absorbing some of that from the productivity gains, makes common sense. But my second point is more to the overall issue. We can talk all we want about who is paying what and how we're going to pay it. The end is, everyone who uses the port is going to benefit, and we have to somehow come up with a solution that is as fair as possible to everyone. If everyone is displeased, it's probably the right solution. No one is happy, therefore everyone is bearing a little bit of the pain, but we are all

benefiting from it. And we have to keep that objective in mind. I appreciate that people are representing their particular members in all of this focus, and that's what you should be doing. But at the same time, I think you also have to keep in mind the bigger picture which is to improve the port so that everyone is benefiting from it. And who knows, if you're shipping from one side of the water today, you're shipping from another side of the water 10 years down the road and using another portion of the Port so there are direct and indirect benefits from all of it. I would urge you all to keep that in mind when we are discussing these things. I know we can get down to the nitty gritty, but at the end of the day, we have to come up with a solution that is as fair as possible. And I just put that out there for everyone to keep in mind during the discussions.

- C: *Ian May*: I may be able to talk for Tom. We're price takers, Bernie. We don't get to pass that on to the customers, and that is the nub of our argument. We are the ones at the end of the bottom line. We're the ones at the end of that chain. We absolutely don't get to pass that on. That's bulk commodity shipping. That's the life, so that doesn't apply. The second thing that I would like a counterpoint put on the record is that not everyone does benefit from this – that phrase has been used quite a bit. I'll give you one example at Roberts Bank, the Westshore Coal Terminal. Any addition to the facility that is going to increase the container usage of that area further congests their ability to get into their terminal. So one could argue that the coal guys, who are going to be paying for whatever is going through the Westshore terminal are paying to increase the congestion getting into their own port. That's just one example, and I'm not going to get into the nitty gritty of who is benefiting and who isn't. But it's not a given that everybody benefits, certainly not in the view of many around the table.
- C: *Tom Maville*: Ian did answer. However, one qualifier – on productivity sharing, we don't expect the railways to give back 100% of the productivity gains. But historically, precedent, grain, export, western Canada, 50% of productivity savings are passed back. They are measured by the agency and then they are passed back. There is a model there for that. My view is that the railways should be instructed, directed, advised, encouraged, whatever the word is, to share that productivity. If they don't know how to do it, there is an agency in Ottawa that can do it for them.
- C: *Judy Kirk*: I hope that I can give you some measure of confidence that some of that would be reflected in our report. You have made the point strongly, there have been a lot of heads nodding. I don't want you to think that the point hasn't been heard.

4. Review of Revised Discussion Paper

- C: *Allan Baydala*: I will go over the highlights of the changes that we have made to the discussion paper, and if I have missed anything, I will ask Chris, who controlled the changes to the document, to remind me. On page 12, when we start talking about the fee after the project explanations, we have had some discussions about maintenance costs that were not in the original document. We have added a bullet under the PMV project expenditures table that says "major maintenance costs for each project will be determined during detailed

design and be reflected in the final GIP expenditures". I need to further qualify that, and we would make this change before we go out to the broader consultation, but the exposure to maintenance is only for the four projects that PMV is responsible for. So that's three on the North Shore and one on the South Shore. Since we've had our last meeting, we've done a little bit of work on that, but it's mostly at the conceptual level, because the detailed design hasn't been done in most cases. We're not talking about the annual maintenance that the Port would be responsible for, the snow clearing or the lighting or electricity. We're talking about major structural inspections and any repairs. It's not expected that we would have major material works within the time period of the GIF. So right now, we're looking at a 30 year term, we might see some work in 20 years. But certainly most of that work would be beyond the 30 years. But we just wanted to put something in there, because there is more work that we would have to do.

C: *Judy Kirk*: And I think order of magnitude...

A: *Allan Baydala*: Around 1% on a present value basis.

C: *Brad Eshleman*: Just on the point, and maybe I have two points. One is a disclosure issue, and the other questions the validity of having it in the capital expenditures. My understanding is that there is a \$9-11 million related to land, which isn't disclosed in here, which I think it probably should be. And so that people are clear, it is Port land that has been included as a capital expenditure, so buying Port land...

C: *Allan Baydala*: It is land that the Port would have to buy for the projects that they are involved in.

C: *Brad Eshleman*: I don't think there was any land that was necessary to buy.

A: *Allan Baydala*: Well, there might not be.

A: *Peter Xotta*: This was in the North Shore Trade Area, and particularly related to the Neptune-Cargill overpass and the park issue. If there was a requirement to acquire, particularly District of North Vancouver property, around Cargill, on the other side of the road for the foundation of the overpass or an embankment. I think there is probably more allowance that was necessary and so that number, if there is anything there at all, would be much lower than the \$10 million in the study. But for the purposes of going forward with this discussion, we used the study number.

C: *Brad Eshleman*: Oh ok then.

A: *Allan Baydala*: But when that came up, we did look at it, and there is the potential for the loss of some land that the Port is currently deriving rental income on. And if we lost that rental income, it would include the cost of that in the project cost. But that's a much smaller number than the \$9.5 million than was in the original.

Q: *Brad Eshleman*: So the \$9.5 million is purchase of land?

A: *Allan Baydala*: I think that was in the original project costs.

C: *Bernie Magnan*: Potential purchase of land.

C: *Brad Eshleman*: I guess maybe what I could ask for is the detailed clarification of what these things are. Because I was under the impression that it was actually Port land that was in there, and now I understand that it's not Port land, it's potential purchase of Port land.

- A: *Allan Baydala*: Potential purchase of District of North Vancouver land.
- C: *Brad Eshleman*: Ok.
- C: *Judy Kirk*: We will note it. Whether that level of detail gets into the discussion paper, I'm not sure, but we can sure note it.
- C: *Bernie Magnan*: If I may, and Brad, you can say whether you agree or not, is that the breakdown of those costs would be useful for this group, so we understand where these costs have been derived from, so that we can at least have a fulsome discussion. Brad thought there was an issue with this, and in fact it's been clarified and we now know that there is not an issue with this. It's something that if you have to purchase land from the District, you have to purchase land from the District, that should be part of project cost. There may have been a different take on it if it was Port land that being sold to the project.
- C: *Brad Eshleman*: But I think they're saying that there is some Port land that is...
- C: *Bernie Magnan*: And there may be. So having those details might be useful for this group, but not necessarily for the broader consultation.
- C: *Judy Kirk*: I think those are all good points. I'm going to ask if we can stay on point on the changes to the discussion paper.
- C: *Allan Baydala*: On page 13, under GIF models, we did make some clarification to ensure that you are aware that we will be doing a recalculation every year, that the rate will likely change every year, and will be based on the prior years' volumes. Through the advisory committee work, it was clear that this point wasn't clear.
- C: *Judy Kirk*: And the cost recovery aspect of it as well, which was raised and clarified.
- C: *Allan Baydala*: Right. And the harbour dues-like charge. We heard a number of times that we should be looking at a harbour dues-like charge, so we did more work looking at that.
- C: *Judy Kirk*: This one is a direct response from the discussion that has happened here, which is a change from the discussion paper that we have had here with you and that the broader consultation participants will go through, as a response to a lot of the feedback.
- C: *Allan Baydala*: As Judy mentioned, we eliminated Model 4. We did make a change to Model 3, stating that "this model could also be calculated based on units – number of railcars and trucks". Just to keep that alive for the broader group, so we don't lose the concept entirely, but we haven't shown the model. It was felt that it didn't really add a lot from Model 3 and was somewhat confusing. In the fairness, effectiveness and efficiency table, we updated that with some of the things we talked about. In fairness, higher value cargo pays more per unit, in response to some of the discussion we had. And we adjusted some of those other boxes there.
- C: *Judy Kirk*: Other than that, on the feedback form, there has been some information added on page 20, with respect to fee collection so that people could more appropriate or more easily answer the question.
- Q: *Roger Larson*: And I appreciate the recognition of the suggestion that we put forward. The more recent submission that we put forward suggested that instead of calling it Model 5, you could call it Model 2A, and that it is vessel based. But I want to respond directly on that because there was one participant

in the discussion that referred to our proposal as disingenuous. And I thought that we needed to be very clear that if CFI and its members wanted to be disingenuous, we would probably have done nothing except mount an extensive lobby campaign for Model 1, which would cost us less than any other model. If you look up the definition of disingenuous, it's a very discourteous label, and I think it's inappropriate for participants of a discussion like this to make statements like that. I would also like to add that they actually read what we said wrong. We never said "that the vessels should be charged". What we said is that a fair allocation of the costs is to base it on the GRT of the vessel. And I think you have that slight error in here, that Port Metro Vancouver could charge vessels for each harbour call. And yes, you could charge the vessels, and that would be one of the collection options of doing it that way. But you could also charge others in the system, and I don't think that saying that the appropriate allocation is by the GRT of the vessel is the same as saying that the vessel owners should be paying the charge. I think that needs to be clarified and you might want to look at the exact wording in here in that regard.

- C: *Judy Kirk*: I've circled that, Roger. I appreciate your other comments. I think the commentary and discussion to date has been very civil and I expect it to continue to be so either at this table or on email, and would ask that everyone do so.
- C: *Don Sorochan*: Just looking at this add on about the harbour dues model. I understood when we started this that a policy decision had been made that there would not be charges for cruise ships. I know that there is some attraction here for charging cruise ships, but going back to the lack of earlier consultation that has been referred to here, we've got no one in here from the tourism industry. So if your intention is to put this paragraph in here and have it to cruise ships, I expect that your consultations will have a lot of negative feedback. If you don't intend it to cross to cruise ships, you should say so.
- C: *Judy Kirk*: Fair comment. With respect to the feedback form, what we have endeavored to do, say on the harbour dues model, there is a bit of discussion before the question so that people know what we're talking about. I think on page 21, the term is very straight forward. I just want to make sure that everyone understands – under additional comments, we have left room for participants. Whether we have asked the question or not, we have left ample room for some additional commentary. What I would like to ask, is that you let your members know about their opportunity to attend meetings in April, and you have the meeting times and dates and places, but that they also know that this discussion paper and feedback form exists. They should feel very welcome to complete the feedback form.
- Q: *Ian May*: Some of my members have had direct invitations and some haven't. Am I to understand that they are all welcome?
- C: *Judy Kirk*: They are all welcome. I know that you get a lot of emails, but what we have asked is that every single one of you invite your members. Kirk & Co. has done some extensive telephone follow up of all those invited so far. I can tell you that we have a pretty average take up on the meetings so far. And I don't want to sit here and tell you what that means, but I can tell you that in 28 years of doing consultation, what that usually means is that everything's ok. It's

usually high participation when a group has got concern. The shot across the bow for you is that you need to make sure that your people know and that if they are interested in coming to a meeting, that they do so. We do need RSVPs. We must have RSVPs because of space and time constraints. So we would very much appreciate your help in making sure people know.

- C: *Craig Williams:* In 28 years of doing consultation, we haven't had an Olympics. I've watched our membership just go offline for the last month or so. Typically for these types of things, we go 6 weeks in advance.
- C: *Judy Kirk:* We are that, we are easily 6 weeks, because they meetings are into April and May. We've been providing notice. The consultation starts April 1 because that is the posting of the materials, but the meetings...
- A: *Chris Chok:* The meetings are April 8th, 15th and 22nd. The consultation period runs from April 1 to May 14th, so until May 14th, they can provide feedback forms and written submissions.
- C: *Craig Williams:* I know that this is my own little problem, but because most of my members push back on overloading them with stuff, we do it once a month and our once a month is about a week from now, which means we aren't going to have a six week lead time on it, and the Olympics. I'm just giving you that, and I'm guessing that other people will have a similar situation.

5. Review and Discussion of GIPAC Submissions

- C: *Judy Kirk:* If I could get everyone to turn to this large format table, please. I just want to reiterate that we haven't taken all comments from all submissions. But we have tried to take the key comments from the submissions. You'll notice by going to the end that the Coal Association, the Business Council and the Gateway Council have yet to provide a submission. And we certainly do look forward to receiving that.
- A: *Bernie Magnan:* I will summarize it in two sentences in terms of the Gateway Council's position on this, and I did earlier on. All we're looking for an appropriate method of cost recovery, and finding a fair way of doing it. We're not wedded to any one specific model, per se. Partly because our membership – many of the people around here have membership in our Gateway Council and we're not going to speak for their membership. At the same time, in general, it is a gateway, and we want the gateway to work properly and efficiently and to be able to deal with expanded business. And therefore, look for a fair, as equitable as possible way of recovering these costs.
- C: *Allen Wright:* Generally speaking, I think they two submissions that best summarize our views are the BC Wharf Operators Association and the Western Canadian Shippers' Coalition. I think they have pretty much reflected where we are coming from.
- C: *Judy Kirk:* I wonder then, if we could go through the table. This is your opportunity – you had said earlier that you wanted to have a look at each others' submissions and have an opportunity to comment or ask questions. I also felt that it is important to point out that while some of you provided feedback on the collection mechanism, term and evaluation, and additional models, many of you did not. And that's alright for now, but as we proceed

through the broader consultation, we would certainly appreciate comment on that as well.

The first one up, the BC Wharf Operators Association, you can see that in summary here, the comment with respect to Models 1, 2, 3, 4, is that it does not provide an appropriate link between fee and benefits to specific trade areas or operators. I think, Brad, that has been a very consistent comment of yours in both the written submission and the meetings. When we look at the additional comments, it provides a finer grain context for your views. I just want to look at a couple. What I'm going to do with each one is if you have any questions or comments on what is summarized here in the table or your reading or understand of a colleagues' submission, then I'd like to hear it. The third bottom bullet, "any fee put in place should look at a combination of current PMV returns, harbour dues and cargo charges for repayment of \$167 million. Land should not be included". And I think that was your point earlier today.

- Q: *Brad Eshleman:* If I could just go back for a minute to the land one. I did a summary of the different trade areas and the costs from the trade area agreements. In the Roberts Bank, the \$50 million matched the \$50 million. In the North Shore one, however, the total per the agreements that were signed between the governments totaled up to \$49.9 million as responsibility from PMV and terminal operators, and the discussion paper has \$59 million. I'm confused in that – wouldn't the land purchased in the Neptune-Cargill overpass been included in the trade area estimates? The numbers are just not adding up. And I posed that question into Kirk.
- C: *Judy Kirk:* Brad, we can deal with that as a side bar if you don't mind. Is there anything else that you want to add under additional comments, and then I want to provide an opportunity for your colleagues to comment or ask any questions on this, and then move along.
- C: *Richard Chappell:* When you look at Model 2, and we did mention at that meeting about laden TEU, the penalty is more on the exporter than the importer when you're talking about containers. A lot of bulk cargo moves in containers, so the charge will be to Canadian exporters more than the containers coming in. Import containers are much lighter, and export containers are much heavier. So that should be separated out. On behalf of all ship owners, we are concerned. We keep paying Harbour Dues, we just see this as another tax. We are getting extremely concerned with the cost of doing business in Port Metro Vancouver. When you start looking at coal, for instance, Squamish is starting to look more attractive. That's our comment.
- C: *Brad Eshleman:* On the submission, part of it is saying that there are global benefits for all users. And part of the portion of that, we have suggested here, applies to it and has all users paying for it by splitting it among the various revenue streams. Putting on one of the terminals' hats, which Richard referred to, on the competitive aspect, we do have a port that is in competition with Squamish, and is at a competitive disadvantage right now, and any additional fee from this would put it at a further disadvantage, and Richard referred to that in terms of pulp and steel handling, and I think that needs to be noted also.

- C: *Judy Kirk:* Roger (Canadian Fertilizer Institute), your submission was more fulsome than lots, so you may feel that we haven't represented as much here, but we certainly tried to pull the key points. I think the key point you included in your first submission and again in the most recent one was that Model 1 might have some merit, but certainly requires more work. And I think you have clearly articulated what that work might be. And that Models 2, 3 and 4 are not acceptable as far as you and your membership is concerned. You have provided some comment on collection mechanism. And term – most of you, frankly, have said that 30 years seems reasonable, and if you can do it sooner, we should perhaps look at that. On evaluation, not a lot of you made a comment on that, but those who did, for example, Roger, wanted to ensure that there was transparency, and that the projected date that when the GIF fee will pay off the improvement, that people have a notion of when the GIF would apply, and that there would not be additional projects thrown on the list. Under additional comments, this notion of being able to demonstrate the commercial value of the projects has been made, by you and by others. The bulk shippers should not pay a disproportionate share of GIF. I think quite eloquently you have made that point in earlier reference today. Roger, anything to add? Anything that offends you in the way that it is characterized here?
- C: *Roger Larson:* No, I think you did a very good job of gelling six pages down to a concise summary and I appreciate your efforts on that. I would maybe modify a comment on Model 2 where it says unacceptable and warrants no further consideration, to saying that we have actually proposed, depending on how you look at it, that what we have proposed is a modifying Model 2. So the word "unacceptable" might be a little strong – but that's a nuance. I think you have done a very good job of expressing our concerns. The additional comments are actually what we had identified as our principles at the start of our paper. I think it's important that we receive a commitment from the Port to the payers, to the shippers, that they are going to include those principles, or a modified version of those. I think that's very important. Speaking to Richard's comment on competitiveness, we share that concern. And that's why we have stressed the need for a commercial cost benefit analysis. I just want to spend a second on that. Today, we have to do this in a context of a Canadian dollar that is probably going to be operating at par for the next 20 years. And we have to recognize that our competitive issues are going to be with a dollar at par. That needs to increase the scrutiny and the lens on who pays for these projects more than ever. We don't have the cushion of a 62 cent dollar anymore. Earlier, I raised a question about the shippers paying twice. I just quickly penciled this up. If I add the PMV portion of the 4 projects identified, and the rail portions, and there are different numbers for the project cost, I come up with 67% for Brooksbank, 75% for Neptune-Cargill grade separation, and 40% for Low Level Road Realignment, as a percentage that the shipper is going to end up paying in either the rail freight rates or in the GIF.
- C: *Judy Kirk:* Roger, I'm going to leave that for now, because we have been there. And I hear you. Craig (Canadian Manufacturers and Exporters), we're coming to you now. Craig, in your submission so far, you haven't provided information on any of the specifics of Model 1, 2, 3, 4 or those categories, but have provided

some very useful comments under additional comments and I've tried to reflect them here. The competitiveness issue, fair, effective, efficient, simplicity, annual reviews, the user fee should not pay for full recovery...

- C: *Craig Williams*: The only thing that's missing there is based on the productivity gains that the Port and that sandbox realizes.
- C: *Judy Kirk*: Ok, productivity gains, got it. I just want to make sure that we capture this user should not pay for full recovery for PMV infrastructure user cost, but some reasonable split.
- C: *Craig Williams*: My position was, if I'm investing in something to be more productive and serve my customers better, I don't expect my customer to pay for it. However, I was told last time that part of this deal was to get the funding, the 3-1, you had to get someone to cover it. Ok, that's fine, but if that's the deal, let's make sure that those improved productivity gains get shared around. Not just to PMV and terminals or whatever. So me, as a guy who puts stuff through this port, it's a big black box.
- C: *Judy Kirk*: Won't everyone share in the productivity gains?
- C: *Craig Williams*: It doesn't strike me that they are. Because right now, the guys putting product in and out are paying for all the capital improvements. If they took the business case here, it's just someone else offering a service, and I would never expect my customers to pay for the cost of my capital investments. I'm servicing them better, and I'm still being competitive, but I wouldn't expect them to pay for my capital investments.
- C: *Judy Kirk*: But your capital investments would usually, in a business case...
- C: *Craig Williams*: Make me more money.
- C: *Judy Kirk*: That's right.
- C: *Craig Williams*: Make me, the Port, more money. But is the Port going to give that back in lower prices? No, in fact, they're going to charge me a fee.
- C: *Judy Kirk*: But is it making you the Port? Or is it making all users of the Port?
- C: *Craig Williams*: I am a company, I have a product or a service I sell. I think I can do a better job by investing \$167 million to serve my customers better, I don't ask my customers to pay that \$167 million.
- C: *Bernie Magnan*: But you do though, through depreciation, over a 30 year period. So this is the depreciation over the 30 year period, that you're recovering from your customers.
- C: *Craig Williams*: Or I lose business and I'm no longer competitive.
- C: *Bernie Magnan*: Either one, but if you invested as a business, as capital in the business, you recover it through depreciation which you have to charge as part of your charge to your customer so that you can recoup that investment.
- C: *Craig Williams*: That to me, that productivity gain, is sitting inside the black box of Port Metro Vancouver.
- C: *Bernie Magnan*: Fair comment.
- C: *Brad Eshleman*: What I think you're also saying is that there is a collection of money from the Port for these infrastructure projects. They will result, over time, higher throughput through the Port, overall. Which the Port will benefit from, over time.
- C: *Allan Baydala*: When Craig and Brad are talking port, it's a small 'p' port, we're not talking PMV.

- C: *Brad Eshleman*: No, no, we are talking PMV.
- C: *Allan Baydala*: I'll have to challenge...
- C: *Brad Eshleman*: What I'm saying is that there will be overall increased throughput of all the commodities through the Port because of these infrastructure improvements.
- C: *Allan Baydala*: So it's all Port users. Port Metro Vancouver generally, and with some few exceptions, does not benefit from this. We're the bank. It's like saying that the bank benefits from the mortgage. Well, they do, but we're not even doing that.
- C: *Brad Eshleman*: It depends on each terminal's agreement with the Port. I agree with you, there are some terminal agreements of which increased throughput will benefit the Port. I guess my point overall is agreeing that there are going to be benefits that accrue down the road to Port Metro Vancouver overall because of total growth.
- C: *Allan Baydala*: And those are only where the Port made a direct investment in the terminal, and it's a recovery on those investments.
- C: *Judy Kirk*: Craig, is there anything else you would like to go over before I move to Stephen's?
- C: *Craig Williams*: Just that Model 1, based on value, that's unacceptable to us. Wear and tear is logical. We're a step removed remember? Wear and tear is the only logical one for us.
- C: *Judy Kirk*: Thank you, and I should have caught that, because it has been clear in your submission. Richard (Chamber of Shipping of British Columbia), you've made your point, is there anything else you would like to add?
- C: *Richard Chappell*: No.
- C: *Judy Kirk*: Dave (Vancouver Terminal Elevator Association), you are saying on Model 1 that you require further information regarding the benefits of each project. In fact, that's what your comment has been for all four models. And that the term, you're one of the ones who indicated that 30 years might be ok, but if it should be reviewed every five years, and if it's more favourable to have a shorter term, that's what we should look at. The one thing I did want to focus on here, just to make sure that it was crystal clear, the notion is that there would be no surplus – it's cost recovery, and it's cost recovery only. I just wanted to make sure that it was clear as a bell here. On additional comments, the underlying issues that need to be resolved prior to looking at a collection method, that's regarding trade area improvements, tenants are now being asked to look at a fee collection mechanism to pay GIF in competing corridors. I think there has been some commentary around the idea of trade area by trade area review. But there hasn't been an overwhelming demand for doing this by trade area, which I thought I should point out. Those benefiting should be the principle source of the reimbursement of cost. What you're asking for Dave, is a much finer grain approach to the fee of an allocation based on a finer grain allocation of benefits. Some projects should be reviewed by the Port to determine whether they should be in the GIP.
- C: *Brad Eshleman*: Just referring to the surplus collection, I think what Dave was referring to, if the fee is supposed to collect \$14 million in one year, and it

collects \$18 million, take that \$4 million and put it against the GIF to lower the overall term.

- C: *Dave Kushnier:* We know it's somehow going to be based on tonnage or TEUs or whatever it's going to be, or harbour dues. If we have a big year, make more money, don't say it's fine, we're going to collect \$14 million a year all the way through. And I know the table doesn't indicate that. But there is more spent on what we've invested.
- C: *Judy Kirk:* Just on that for a second. My impression in discussion with the Port, is that in that case, the application of the GIF in the next year would be adjusted to deal with that...
- A: *Allan Baydala:* We have two options. That's one option. Because it's based on last year's tonnage times the rate to collect the \$11.5 million. If tonnage is 20% more in that next year, in theory, we could collect 20% more dollars. We could either apply that for the next year. But what we'll do, is do a recalculation based on what we have to collect on the remaining years taking into account possibly interest rate differences. The other option is to apply it to the amount remaining to be collected, and recalculate what you have to collect over the remaining years of the term and so it could reduce either the next year, or every year remaining.
- C: *Dave Kushnier:* We are more thinking reduce the number of years.
- Q: *Roger Larson:* I have one quick question on that point. Is that on a shipper by shipper basis?
- A: *Allan Baydala:* A shipper by shipper basis? I don't believe so.
- Q: *Roger Larson:* Let's say grain is up 20%, so that's an extra \$4 million. Does that mean that grain is paid off earlier?
- A: *Allan Baydala:* No, we had not anticipated tracking, and I don't know how we would track, on a stakeholder by stakeholder payment.
- Q: *Roger Larson:* So, if grain doubles over the 30 year period they will end up paying twice as much GIF fee as what you're planning on in this.
- A: *Allan Baydala:* No, not necessarily. If everyone else doubles too, then they would all stay the same. If they proportionally doubled compared to everyone else, then yes. And I think that would be fair...
- C: *Craig Williams:* Because they are moving things out at twice the rate they used to be.
- C: *Dave Kushnier:* Two quick things. We said earlier, if everyone feels pain, it's probably a good thing. Is there a way to look at these models and say, Model 5, which was the harbour dues, in combination with one of these other things, does that make it, I would say, let's look at that. Also, we strongly object to the stipend.
- C: *Allan Baydala:* Why don't you talk to me offline about that. I need to understand why.
- C: *Dave Kushnier:* We were told, at our meetings about Powell Street, and I can't get anyone to convince me that there is anything there. The comments on the benefits said that it's better for the people mover. Well, no, Powell Street goes perpendicular to people mover, it doesn't add anything, so I don't get it. We were told that it doesn't affect us, it won't be part of this whole broad thing with the Port, and we talked about land, and that the City talked about needing

to buy land to get this built, and then the City is gone, they're not putting up anything. I think we're getting stuck with this. I'm starting to get a lousy feeling about this that the whole thing with the South Shore is they thought that people on the South Shore was going to whine that the North Shore was getting all these improvements and we weren't getting any. So don't throw this thing in if it's not legitimate, and I can't get any one to convince me that it's legitimate. Nobody in our group has been able to find anyone that says Powell Street is going to benefit the Port.

A: *Peter Xotta*: Because the City is the delivery agency, if they don't come up with their funding, it just doesn't happen.

C: *Judy Kirk*: Moving to Ian (Western Canadian Shippers' Coalition), your very consistent commentary have been require more accurate estimate of cost impact to each port user. That's cost impact, interestingly. It's not the benefit side, but the cost impact. I think you're assuming the benefit side as well, but never the less, the way you have articulated it is the cost. PMV undertook a significant financial obligation. You have made this point several times about not consulting with all of your members or your members in advance of determining the GIP projects. And cost/benefit analysis of each project is required to help facilitate a more meaningful discussion of potential fee structures. Anything else, Ian?

C: *Ian May*: Just a comment to Allan and to Chris as well. What I was going to tell you offline, Chris, is that Allan and I had a conversation about whether or not the Port benefited at the last meeting, and he's reiterated that today, so I'm not going to chase you to get that into the minutes. Presumably it will be in these minutes. Allan, I can just tell from my own reaction and the body language of the people down here at this end of the table, we don't get how you don't see the Port benefiting from these improvements, it's bouncing off me. I can't get your point of view on that. Whatever you need to do to make that clearer to us, because we don't get something, I don't, for sure.

A: *Allan Baydala*: I wonder if it's a lack of understanding of what the Port's role is in this. I'd be happy to talk offline, or in the 7 minutes we have left.

C: *Ian May*: I guess what I'm suggesting is that it shouldn't be offline because I don't think I'm alone here.

A: *Allan Baydala*: So if you could explain. I don't know Judy, whether we have time to go there.

C: *Judy Kirk*: What I would like to do is come back to it, if you don't mind. I just know that Roger is leaving and a couple of others are leaving. What I would like to do in fairness to Don is go to his submission and then come back to it.

A: *Ian May*: Sure.

C: *Judy Kirk*: Don (I.E. Canada), you have said that Model 1 is not appropriate, that potential fluctuating values of commodities is a concern.

C: *Don Sorochan*: That's the one thing that I can discern to be unanimously the view of my membership.

C: *Judy Kirk*: Fair enough. Model 2 is something that would require further information but could be useful to consider actual cost implications. I think what you are talking about there is wear and tear. And you provided essentially the same comment about Models 3 and 4. You said that about collection, it has got

to be simple, straight forward I assume. And on annual evaluation, it would need to be a review mechanism that is fair. And I think implicit in that is transparency, that people could see it.

- C: *Don Sorochan*: Let me be very simple about this. If we go to our members, and I've tried to explain to some of them what's going on here, they say, what's this all going to mean? What's it going to cost us in a container, what is it going to cost us for putting this through. The point that I'm making in the right hand column is, and everyone in here has competitiveness concerns. But the competitiveness concerns are different because people who have huge infrastructure here are stuck in the Port, whether they like it or not, and they are going to have to deal with the competitiveness that way. The members of our association, by and large, could go somewhere else. So if these charges are such of such a nature that it's cheaper for them to go through the Port of Seattle, and bring it up by land, they are making those decisions in real time. I don't think anybody should say that there is a lack of respect for any view in this room. Everyone is expressing their concerns, and they are valid concerns. I think that, and I've said here, from my point of view, and we'll see whether it's the same as the members, is that we're nitpicking a bit too much if we think we can get down and establish this commercial benefit, that commercial benefit. To me, it doesn't seem to me that that's the way we are going to convince our members. One of the things that I would suggest when we first started talking about it, is that it started out to remove bottlenecks. Perhaps one way of showing the benefits is showing what the bottlenecks would cost in the future if they weren't addressed by this type of program. All of us in our businesses had arguments about whether we should put in redundant systems. And some of us well, we can get away without it, it's going to cost something, until you see what it costs when you don't have it there. I think that when you get into your broader consultation, if you could say that this is going to cost – sort of give an idea of whether it's worth people worrying about – is going to be really helpful in your consultation.
- C: *Allen Wright*: Can I just add one comment here because everyone is putting things on the table. If you take a look at the models, even if you eliminate the fourth model, I'm sort of the view that Roger has put forward on Model 1, and I think that our members would probably, the ones that I've spoken to, would probably prefer that model, if you are going to pick a model. And I'm not saying that at the end of the day that's necessarily what's going to happen. We just feel that it would cost us less to do that, whereas in your case, you're saying it wouldn't be to your advantage. Since everyone is putting them on the table, I thought I should put that on the table too.
- C: *Judy Kirk*: I want to come back to the point about whether PMV is benefiting from the infrastructure, which was the point that you and others were raising, Ian. If I could summarize, so that I make sure in the Chair, that I'm understanding. What I think members of the GIPAC are saying is that if the supply chain improvements from these infrastructure improvements result in increased volumes, that Port Metro Vancouver revenue will go up as well. Is that what you're saying?
- C: *Ian May*: In part, yes.

- C: *Brad Eshleman:* And over time, the value of the Port will go up as well. Land values will go up, and you will be able to get increased rents and that sort of thing.
- A: *Allan Baydala:* And sorry, Ian, you said in part. I wanted to give Ian a chance to express. The other part is?
- C: *Ian May:* In terms of edifying me, what would happen if ships stopped calling? What would happen if shippers chose Rupert? I realize that it would be terminals, per se, that would suffer. But wouldn't the Port be a downstream sufferer of the terminals not doing well as well? Is there not a trickle down effect there?
- C: *Brad Eshleman:* Eventually.
- A: *Allan Baydala:* In the longest term, yes, but not in the short term.
- C: *Ian May:* Well, if you have 40 year leases all over heck and creation, I would suggest that a bankrupt lessor isn't much good to you. That's kind of my point. The Port does benefit from the bounty that walks through its gates, whether it owns the gates or is renting that land for the gate to someone else.
- C: *Judy Kirk:* What I'm hearing in summary, is that the consequences of not doing, which Don just talked about, that you're saying that Port Metro Vancouver would take a share of that, just as...
- C: *Ian May:* Well, I'm just trying to use that to illustrate that they would gain as well.
- C: *Judy Kirk:* Exactly, just as you're also saying that they would gain on the upside.
- A: *Allan Baydala:* I guess I'm looking at it in more of a micro-level than Ian. We're looking at some very specific infrastructure improvements that will be benefit throughput and certainly benefit our customers. In most cases, Port Metro Vancouver will not see an increase to its bottom line.
- C: *Ian May:* Not immediately.
- A: *Allan Baydala:* To the extent that we benefit from having a robust customer base and terminal base, yes we will be benefit from that regard. But to have a dollar that we can turn around and pay for the infrastructure.
- C: *Ian May:* Don't anticipate me. That's not what I'm suggesting, but we're talking about a 30 year period here.
- C: *Judy Kirk:* Ok, I think the point has been clarified.
- C: *Brad Eshleman:* One more point. I actually left it out of our submission, and I'm glad that Dave brought it up. That 2% stipend, we are against that also. And I think I can echo every single person in here, and if I'm wrong, someone please tell me, that everyone is against the 2% stipend.
- A: *Allan Baydala:* Ok, and I don't get that. This is worth talking about. You have to know how I look at this, how PMV looks at this. PMV came into this to fund the terminal contribution to all of this.
- C: *Brad Eshleman:* And the Port's contribution.
- A: *Allan Baydala:* No, to fund the terminal contributions. These are improvements for the benefit of the terminals and the throughput on the gateway.
- C: *Brad Eshleman:* Ok, let's talk about Roberts Bank first... the Port...
- C: *Judy Kirk:* I'm going to insert myself here. With respect to the 2%, what the Port has said in other meetings and in the documents, is they work under Federal legislation that requires that this 2% is paid on revenue. And what the Port has

said, is that they continue to review and look at that in an effort to persuade the federal government that this is cost recovery, not a revenue program...

- A: *Allan Baydala*: Thank you for reminding me, Judy, because we have said that, and we will ask Ottawa.
- C: *Brad Eshleman*: Yes, you did.
- A: *Allan Baydala*: Failing a change in the *Canada Marine Act*, and you know how difficult that can be, we will attempt to have the CICA or our auditors change how we treat this as revenue. We have some very major hurdles to overcome, as you can appreciate. Another option is convincing our auditors that this is, as some have suggested, that this is cost recovery, but it is coming in the door, our auditors will say it's a fee, and therefore revenue, and therefore we will pay the stipend. I've got kind of a philosophical or intellectual argument at why you're objecting to this. If we weren't here, and the terminals were funding this themselves, they would be funding this with after tax dollars, and no one has an tax rate of 2%, so there is a huge advantage for us doing it rather than the terminals directly. Brad, if you were doing this, you would have to fund it with after tax dollars, at a much higher tax rate than 2%, which is what the stipend is. But we're trying to avoid that, as Judy rightly pointed out.

6. Conclusion

- C: *Judy Kirk*: I wonder if I could just point out, by way of closing off, or continuing the meeting, if indeed there are enough people who would like to, but I just handed out a schedule of the meetings. Any of you are welcome to come and observe these meetings if you would like, and I say observe because you have had this very close opportunity to participate directly. Please do encourage your members to participate. The last thing I would like to remind you, is that we have tentatively booked another meeting of the GIPAC that would follow the broader consultation. I think we have said May 14th, the Friday. We're looking at holding the final GIPAC meeting. If there are any serious problems, please let us know.
- C: *Ian May*: A couple of things, I can't pass up the opportunity to say I can't make it, I'll be in Paris. I'm going to say this and then run, but you remember Cool Hand Luke, we have a failure to communicate here. The Port is on one path over here, and we don't get it, and we are on one path here, and they don't get it. I got that impression. Whether it matters to anybody or not, time will tell. But a nice session with our coats off saying no, this is what we really mean here and that's what we really mean there. If it doesn't suit, it doesn't suit, but that's just a feeling I got.
- C: *Judy Kirk*: Ian, you know what, the broader consultation has yet to occur, but I think though, that people very clearly understand the information, the discussion guide is very clear. There has been very good discussion. I don't think there has been any misunderstanding – there may not be agreement on issues, but that's different than characterizing it as a misunderstanding.
- C: *Ian May*: You and I are having one now.
- C: *Judy Kirk*: And that's fine with me.

C: *Roger Larson:* I think there is a little bit of misunderstanding in the sense of, what I was trying to say, this is the part of these projects that shippers are going to pay. It averages about 2/3rds of those particular projects. There are several comments that we should all sign on to this because we are getting a 3 and 4 times payback – what’s our problem, why don’t we get this. It’s because of the projects that we view of as being a direct commercial benefit of it, we are paying 2/3rds or 75% when we add that up. That is where we need to get into that room, as Ian suggested, and have a serious discussion about... because, a lot of those projects that are part of the 75%, \$675 million funding, are for community improvement. No one is saying that there isn’t going to be a benefit to the gateway.

The meeting ended at 2:30pm.