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Vancouver Fraser
Port Authority

Gateway Infrastructure Fees

Annual Report

For the year ended December 31, 2023

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Executive Summary

This Gateway Infrastructure Fee Annual Report has been prepared to provide further information on the project costs incurred as well as the costs recovered on an annual basis for both the Gateway Infrastructure Fee (GIF) and the Gateway Infrastructure Fee 2 (GIF2). Given the recent economic volatility and associated uncertainties, the report focuses solely on historical information.

Development of the original Gateway Infrastructure Fee (GIF)

The Vancouver Fraser Port Authority (VFPA) developed the original Gateway Infrastructure Program (GIP) to invest in supply chain improvements beyond traditional port activities and lands. The GIP is comprised of 17 projects that make up a \$717 million dollar capital investment program that brings benefits to industry and local communities surrounding the port. The projects included in the GIP were developed in consultation with port stakeholders and supported by independent analysis.

Benefits to industry include enhanced efficiency and safety of rail operations, and increased ability for the port to accommodate anticipated growth in trade-related traffic. Additionally, through prefunding the industry portion, the port authority has secured \$3 million from other agencies for every \$1 million the port authority and its industry customers and stakeholders are investing. Local communities also benefit from the GIP in a number of ways, including improved local traffic flows, improved traffic safety, better emergency vehicle access, reduced train whistling, and reduced vehicle idling at level crossings. The citizens of Canada benefit as the port will be able to improve Canada's national trade competitiveness and increase economic growth.

The 17 projects were led by a variety of funding partners from both industry and government and all projects were substantially completed in 2016. Up to 2018, costs incurred brought most projects to full completion. These infrastructure projects have provided increased goods movement efficiencies for communities and have increased the safety of drivers, cyclists and pedestrians as a result of improvements to roads and intersections. Port tenants, port workers, trucking and local communities are experiencing the benefits of reduced congestion and improved travel time reliability.

During the development of the GIP in 2011, the port authority agreed to pre-fund \$167 million of capital costs on behalf of industry. VFPA will contribute 10 percent towards the overall industry component of the GIP projects and will recover the remaining 90 percent from industry stakeholders through the GIF. Total project costs to be recovered include the initial capital costs, financing costs, property insurance, repair and maintenance costs and federal stipend. The GIF projects and have been completed. The VFPA adjusts rates annually using a formula that considers the amortized annual project cost by trade area, divided by the total annual cargo tonnage handled by the same trade area. The fee is collected across a 30-year lifespan by the port authority's terminal partners across three trade areas, Roberts Bank Trade Area, North Shore Trade Area, South Shore Trade Area.

Development of the Gateway Infrastructure Fee 2 (GIF2)

To further enhance the efficiency in the movement of goods and maintain the Port's competitive position 13 additional infrastructure projects and initiatives in the Roberts Bank Trade Area, North Shore Trade Area, South Shore Trade Area, Fraser River Trade Area and East of the Second Narrows Bridge have been included under GIF2.

These projects aim to enhance efficiency and productivity within the supply chain, benefiting national, provincial, regional, and local levels by alleviating freight bottlenecks and capacity constraints that hinder the movement of Canadian goods while also growing the economy, creating well-paying jobs and supporting livable, green communities with improvements to safety, mobility, and air quality.

In collaboration with partners, including federal support through the National Trade Corridors Fund (NTCF), these projects aim to unlock new funding streams from the federal government, provincial government, municipalities, railways, and private sector industry. For every \$1 million pre-funded by the port authority and industry, approximately \$2 million in additional funding will be leveraged from federal, provincial, and other partners.

The port authority will initially fund 100% of the required industry contribution to the GIF2 Gateway Infrastructure Program (GIP) projects. GIF2 is structured to recover 90% of the total project costs incurred by the port authority. Total project costs to be recovered over a 30-year period from stakeholders, except where noted, are comparable to the original GIF, excluding the federal stipend. VFPA will contribute the remaining 10% from its general revenues. For projects that are currently underway, project costs have not yet been finalized. The VFPA adjusts rates annually using a formula that considers the amortized annual project cost by trade area divided by the total annual cargo tonnage handled by the same trade area.

Gateway Infrastructure Fees update

The Gateway Infrastructure Fee (GIF) and Gateway Infrastructure Fee 2 (GIF2) were established to recover costs for critical infrastructure improvements that benefit port users by enhancing operations and capacity. GIF, introduced in 2011, and GIF2, introduced in 2023, operate under a 30-year cost-recovery timeline. The exception is the Second Narrows East Terminals project, which is set to be recovered over 28 years. These timelines ensure sustained investment in infrastructure while balancing the cost recovery needs of the port authority and its stakeholders.

Rates

Gateway Infrastructure Fee (GIF)

GIF rates for 2022 and 2023 are shown below. Additional information can be found in the port authority's fee document at: <http://www.portvancouver.com/about-us/port-fees/>

Table A – GIF Containerized cargo rates

| Fee Payable per TEU | | |
|-------------------------|--------|--------|
| Trade Area | 2022 | 2023 |
| North Shore Trade Area | \$1.92 | \$1.65 |
| South Shore Trade Area | \$1.36 | \$1.53 |
| Roberts Bank Trade Area | \$0.45 | \$0.43 |

Table B – GIF Non-containerized cargo rates

| Fee Payable per TEU | | |
|---------------------------------------|--------|--------|
| Trade Area | 2022 | 2023 |
| North Shore Trade Area | | |
| Breakbulk lumber rates per MFBM | \$0.12 | \$0.10 |
| Breakbulk log rates per MFBM-Scribner | \$0.33 | \$0.28 |
| Other cargo rates per metric tonne | \$0.09 | \$0.08 |
| South Shore Trade Area | | |
| Cargo rates per metric tonne | \$0.14 | \$0.16 |
| Roberts Bank Trade Area | | |
| Cargo rates per metric tonne | \$0.05 | \$0.05 |

Gateway Infrastructure Fee 2 (GIF2)

For all terminals in the North Shore trade area east of the Second Narrows Rail Bridge (SNE), the implementation date for commencing collection of the fee has been deferred until January 1, 2025. This deferral will result in a 28-year amortization period for this component of GIF2 only, rather than 30 years.

Table C – GIF2 Containerized cargo rates

| Fee Payable per TEU | |
|-------------------------|--------|
| Trade Area | 2023 |
| North Shore Trade Area | \$1.76 |
| South Shore Trade Area | \$2.46 |
| Roberts Bank Trade Area | \$0.96 |
| Fraser River Trade Area | \$4.08 |

Table D – GIF2 Non-containerized cargo rates

| Fee Payable per Metric Tonne | |
|--|------------------------|
| Trade Area | 2023 |
| North Shore Trade Area | |
| Breakbulk lumber rates per MFBM | \$0.11 |
| Breakbulk log rates per MFBM-Scribner | \$0.31 |
| Other cargo rates per metric tonne | \$0.08 |
| South Shore Trade Area | |
| Cargo rates per metric tonne | \$0.25 |
| Portside Blundell Roadside Improvements Project | |
| Cargo rates per TEU | \$0.79 |
| Roberts Bank Trade Area | |
| Cargo rates per metric tonne | \$0.11 |
| Fraser River Trade Area | |
| Breakbulk lumber rates per MFBM | \$0.55 |
| Breakbulk log rates per MFBM-Scribner | \$1.51 |
| Other cargo rates per metric tonne | \$0.40 |
| *Second Narrows East Terminals (SNE) | 2023 (deferred) |
| Cargo rates per metric tonne | \$0.13 |

*Partial deferral for terminals located east of the Second Narrows Bridge (the “SNE” terminals)

2023 Volumes and revenues

Gateway Infrastructure Fee (GIF) and Gateway Infrastructure Fee 2 (GIF2) rates are calculated, in part, based on the volume of goods moving through the trade corridors. At the end of 2023, the port authority determined the Portside Blundell Roadside Improvements Project would not be advancing; volumes and revenue collected for that project have been applied to their respective trade areas.

Table E – VFPA 2023 volumes subject to GIF

2023 GIF rates and corresponding revenues are based on 2021 actual volumes.

| Trade Area | 2021 (Metric Tonnes) |
|--------------|-------------------------|
| North Shore | 38,366,016 |
| South Shore | 22,701,903 |
| Roberts Bank | 40,938,624 |
| Total | 102,006,543 |

Table F – VFPA 2023 volumes subject to GIF2

The costs and volumes from 2020 were used as the basis of the fee in 2023, as the implementation of the GIF2 fee was delayed to 2023.

| Trade Area | 2020 (Metric Tonnes) |
|-------------------------------|-------------------------|
| North Shore | 33,210,736 |
| South Shore | 31,604,855 |
| Roberts Bank | 42,765,884 |
| Fraser River | 4,814,119 |
| Second Narrows East Terminals | 10,465,048 |
| Total | 122,860,641 |

Table G – 2023 GIF and GIF 2 Revenues* for Total Project Costs

| In 000's | Trade area | GIF Revenue | GIF 2 Revenue |
|--------------------------------|------------------------------|----------------|---------------|
| Current year (2023) | North Shore trade area | 3,199 | 3,469 |
| | South Shore trade area | 3,752 | 7,883 |
| | Roberts Bank trade area | 1,596 | 4,921 |
| | Fraser River trade area | N/A | 2,185 |
| | Second Narrows East Terminal | N/A | - |
| | Total | 8,547 | 18,458 |
| Total to date | North Shore trade area | 35,267 | 3,469 |
| | South Shore trade area | 40,379 | 7,883 |
| | Roberts Bank trade area | 27,466 | 4,921 |
| | Fraser River trade area | N/A | 2,185 |
| | Second Narrows East Terminal | N/A | - |
| | Total | 103,112 | 18,458 |

*Taken from note 7(b) of the VFPA's 2023 Audited Financial Statements.

2023 Expenditures

Gateway Infrastructure Fee (GIF)

All GIF [projects](#) are completed, and in 2023, VFPA continued to incur ongoing projects costs such as, insurance, repair and maintenance costs and federal stipend as required by agreements with the GIP partners for a total of \$412K, of which \$139K is for North Shore trade area, \$45K is for Roberts Bank and \$229K for South Shore.

Gateway Infrastructure Fee (GIF2)

In 2023, the total estimated capital costs for GIF2 is \$323.4M, of which the following table summarizes the amount spent or adjusted in 2023. Total to date program expenditure is reflected in the 2023 financial statements, with the actual spend for fiscal year 2023 detailed below.

Of the total estimated capital costs, \$292.0M represents the 90% portion that is recoverable from the industry, of which \$280.7M remains to be recovered through GIF2 fees.

Table H – VFPA 2023 GIF2 GIP expenditures (adjustments) (in \$000s)

| Trade area / Project | Status | Actual Expenditure (Adjustment) |
|---|---------------|---------------------------------|
| Fraser River | | |
| Fraser Surrey Port Lands Transportation Improvements Project | Active | 5,155 |
| Glen Valley Double Tracking | Active | 1,080 |
| Pitt Meadows Road and Rail Improvements Project (formerly Harris Road Underpass and Kennedy Road Overpass Project) | Active | (1,074) |
| Pitt River Road and Colony Farm Road Rail Overpasses Project (planning study) | Completed | 4 |
| Portside Blundell Overpass and Upgrades Project | Not advancing | - |
| Westwood Street and Kingsway Avenue Grade Separations Project (planning study) | Completed | 0 |
| Subtotal | | 5,166 |
| North Shore | | |
| Mountain Highway Underpass Project | Completed | 22 |
| Subtotal | | 22 |
| Region-wide | | |
| GTCF Technical Analysis and Engagement | Completed | - |
| Subtotal | | - |
| Roberts Bank | | |
| Highway 91/17 and Deltaport Way Upgrade Project | Active | 15,422 |
| Subtotal | | 15,422 |
| South Shore | | |
| BI Line Double Tracking Project | Active | 22 |
| Burnaby Rail Corridor Improvement Project/Holdom Overpass (formerly North Shore Corridor Capacity Improvements Project) - Thornton Rail Tunnel Ventilation Upgrades, Rail Corridor Improvements, Holdom Road Overpass | Active | 1,023 |
| Burrard Inlet Road and Rail Improvements Project Centennial Road Overpass, Waterfront Road Access Improvements, Commissioner Street | Active | 7,848 |

| | | |
|---|--------|--------------|
| Road and Rail Expansion, and rail improvements along CP Cascade Subdivision | | |
| Heatley Diamond Reconfiguration | Active | 20 |
| Subtotal | | 8,915 |
| Total | | 29,526 |

A project is considered active until all associated components are fully completed. Once all components have been delivered, the project is deemed complete. If a project is marked as not advancing, it indicates that the project, in its current iteration, is not moving forward. Projects marked as not advancing are no longer considered NTCF projects. As of December 31, 2023, costs for such projects are no longer included under GIF2.

The VFPA contributed land to the North and South Shore Trade Area projects as part of its support for the GIP. To offset these contributions, the port authority recovered 90% of the land's estimated value of \$22 million through GIF, with recovery completed in 2016. No land contributions were made or recovered under the GIF2 projects.

Frequently asked questions

1. How will GIF / GIF2 rates be calculated each year?

The VFPA adjusts the rates annually based on current information on cost and fee revenues and has devised a formula based on a preceding full year of actual cargo volumes and most up-to-date project costs:

$$\text{Rate (\$/Metric Tonne)} = \frac{\text{Amortized annual project cost by Trade Area (\$)}}{\text{Annual cargo tonnage handled by Trade Area (Metric Tonne)}}$$

2. How will over/under recovery in each year be addressed?

If revenues in any one year are over expectations, future years rates will be re-set at lower levels to compensate so that the total amount of net revenues the Vancouver Fraser Port Authority collects, on a present value basis, equals 90% of the present value it contributed to the GIF projects. On the other hand, if revenues in any one year are below expectations, future years' rates will be re-set at higher levels.

3. Would a major unforeseen increase or decrease in tonnage moving through one of the 3 trade areas during a year lead to a recalculation of rates during the year?

No. We expect annual recalculations to be sufficient to ensure that, over the 30 year estimated life of the GIF projects, the present value of net revenues will only equal 90% of the present value VFPA contributed to the GIF projects.

4. If there is a material change in commodity mix moving through one of the trade areas, will the GIF rate determination process change?

A material change in the commodity mix moving through any one of the three trade areas means that a customer(s) is moving more commodities than expected when the fees were implemented. Since the customer moving increased cargo is benefiting more from the GIF projects, it's reasonable that they would pay more and the VFPA would not change the GIF rate determination process to compensate.

5. How will new terminals be introduced into the mix?

If new terminals are developed during the estimated 30 year lifespan of the GIF or GIF2 and benefit directly from the GIF projects, the VFPA will apply the fee to those volumes moving through the new terminals. Increased volumes from new terminals should reduce the rates for all terminals in that trade area, regardless of the commodities each terminal handles.

6. What if the infrastructure lasts longer than the 30 years that you are estimating, or does not last that long? What will happen to the GIF?

The VFPA believes that 30 years is a conservative estimate of the life of the GIF assets and the programs have been designed to enable it to recapture 90% of its pre-funding amounts over these 30 years. If asset lives prove to be either longer or shorter than 30 years, plans are for the fees to still remain in place for 30 years.

7. What if the infrastructure lasts longer than the 30 years that you are estimating? How will operating costs be recovered after the 30 year period if the GIF and GIF2 are not in place?

Plans are for the GIF and GIF2 to remain in place for 30 years until the end of 2040 despite asset lives potentially extending beyond this period. The VFPA will cover the operating costs after 2040, if asset lives prove to be longer than 30 years, from its general revenues.

8. What will the annual audit process be?

Total actual revenue in Table G in this report have been extracted from note 8 of the Consolidated Financial Statements of VFPA for the Year ended December 31, 2023. These financial statements were audited by the independent auditors PricewaterhouseCoopers LLP and its Independent Auditors Report is included in these financial statements. A complete copy of the VFPA's 2023 Financial Statements can be found at www.portvancouver.com.

9. Why is the VFPA recapturing insurance costs of some GIP assets through the GIF?

At the time the GIP projects were being developed, it was unclear who would own the various assets after construction was completed. It was ultimately determined by the various delivery agents that it made the most sense for the VFPA to own some of the GIP assets. As a prudent asset owner, the port authority has elected to insure these assets. The most material insurance costs were for property insurance and 90% of these costs are being recaptured through the GIF, as are other GIP costs that are incurred by the port authority as the asset owner.

10. Why is the VFPA recovering its land costs through the GIF?

The VFPA contributed certain land parcels to the GIP projects that were necessary to accommodate the project works. In each case, the port authority either incurred actual out-of-pocket cash costs to acquire the necessary rights to use the land or lost the opportunity to earn rent on these land parcels. Similar to how the port authority is recovering its cash contributions to the GIP from the GIF, the port authority recovered its land contributions from the GIF as well.