



PORT of  
**vancouver**

Vancouver Fraser  
Port Authority

# Gateway Infrastructure Fees

Annual Report

For the year ended December 31, 2022

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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 the Gateway Infrastructure Fee (GIF). Due to recent economic volatility and associated uncertainties, only historical information has been provided.

### Development of the original Gateway Infrastructure Fee (GIF)

The 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 from 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 are fully defined 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, and the South Shore Trade Area.

## Gateway Infrastructure Fees update

The Gateway Infrastructure Fee (GIF) was established to recover costs for critical infrastructure improvements that benefit port users by enhancing operations and capacity. GIF, introduced in 2011, operates under a 30-year cost-recovery timeline. This timeline ensures 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 2021 and 2022 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	2021	2022
North Shore Trade Area	\$1.04	\$1.92
South Shore Trade Area	\$1.54	\$1.36
Roberts Bank Trade Area	\$0.55	\$0.45

**Table B – GIF Non-containerized cargo rates**

Fee Payable per TEU		
Trade Area	2021	2022
<b>North Shore Trade Area</b>		
Breakbulk lumber rates per MFBM	\$0.10	\$0.12
Breakbulk log rates per MFBM-Scribner	\$0.29	\$0.33
Other cargo rates per metric tonne	\$0.08	\$0.09
<b>South Shore Trade Area</b>		
Cargo rates per metric tonne	\$0.15	\$0.14
<b>Roberts Bank Trade Area</b>		
Cargo rates per metric tonne	\$0.06	\$0.05

## 2022 Volumes and revenues

Gateway Infrastructure Fee (GIF) rates are calculated, in part, based on the volume of goods moving through the trade corridors.

**Table C – VFPA 2022 volumes subject to GIF**

2022 GIF rates and corresponding revenues are based on 2020 actual volumes.

Trade Area	2020 (Metric Tonnes)
North Shore	33,208,897
South Shore	15,952,052
Roberts Bank	29,326,727
<b>Total</b>	<b>78,487,677</b>

**Table D –2022 GIF\* Revenues for Total Project Costs**

In 000's	Trade area	GIF Revenue
<b>Current year (2022)</b>	North Shore trade area	3,850
	South Shore trade area	2,487
	Roberts Bank trade area	1,767
	<b>Total</b>	<b>8,104</b>
<b>Total to date</b>	North Shore trade area	32,068
	South Shore trade area	36,627
	Roberts Bank trade area	25,870
	<b>Total</b>	<b>94,565</b>

Taken from note 7(b) of the VFPA's 2022 Audited Financial Statements.

## 2022 Expenditures

### Gateway Infrastructure Fee (GIF)

All GIF projects are completed, and in 2022, VFPA continued to incur ongoing projects costs such as, insurance, repair and maintenance costs and federal stipend as required by agreements with the GIF partners for a total of \$399K, of which \$124K is for North Shore trade area, \$217K is for the South Shore and \$58K is for Roberts Bank.

The VFPA contributed land to the North and South Shore Trade Area projects as part of its support for the GIF. 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.

## Frequently asked questions

### 1. How will GIF 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 GIP 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 GIP projects, the present value of net revenues will only equal 90% of the present value VFPA contributed to the GIP 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 GIP 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 and benefit directly from the GIP 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 GIP 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 is not in place?

Plans are for the GIF 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 revenues in Tables D in this report have been extracted from note 7 of the Consolidated Financial Statements of VFPA for the Year ended December 31, 2022. 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 2022 Financial Statements can be found at [www.portvancouver.com](http://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.