



Gateway Infrastructure Fee

Consideration of Stakeholder Consultation Input

August 13, 2010

This *Consideration Memo* summarizes how key themes from stakeholder input have been considered in refining the structure and implementation of the Gateway Infrastructure Fee.

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Introduction

To ensure port reliability and increase throughput capacity through the Vancouver Gateway, Port Metro Vancouver (PMV) is taking a leadership role by leveraging and extending Provincial and Federal funding for a generational investment in supply-chain infrastructure improvements.

Port Metro Vancouver has developed a Gateway Infrastructure Program (GIP) to invest in supply chain improvements. The GIP includes 17 projects in three locations:

- North Shore Trade Area
- South Shore Trade Area
- Roberts Bank Rail Corridor

Port Metro Vancouver undertook a comprehensive consultation process with industry stakeholders to develop a fair and equitable mechanism to recover the \$167 million that PMV is investing, on behalf of the industry, through a Gateway Infrastructure Fee (GIF). The projects included in the GIP were developed in consultation with port stakeholders and are supported by independent analysis.

Based on the preliminary design of these projects, the total capital cost of the improvements is \$717 million. In pre-funding the industry \$167 million, PMV has secured \$3 million from other agencies for every \$1 million its industry stakeholders are investing.

Stakeholder Consultation Process

Consultation on the Gateway Infrastructure Fee was undertaken in three phases:

Pre-Consultation (Phase 1: December 2009 – January 2010)

Port Metro Vancouver representatives met with several stakeholders, including associations and port operators, to seek feedback regarding the draft terms of reference for the Gateway Infrastructure Program Advisory Committee (GIPAC) and consulting broadly with Port stakeholders regarding the structure and implementation of the GIF.

Gateway Infrastructure Program Advisory Committee Consultation (Phase 2: January 2010 – June 2010)

Port Metro Vancouver established a Gateway Infrastructure Program Advisory Committee (GIPAC) comprised of associations and organizations representing terminal operators, tenants, shippers, shipping lines and industry groups. GIPAC provided input about the structure and implementation of the GIF and about how to effectively consult more broadly with Port stakeholders.

Port Stakeholder Consultation (Phase 3: April 1 – May 14, 2010)

Between April 1st and May 14th, 2010 PMV consulted broadly with Port stakeholders about structure and implementation features of the GIF. PMV retained Kirk & Co Consulting Ltd., an independent firm specializing in consultation, to design and lead the GIF consultation program. The purpose of the consultation was to gather feedback and input in a manner that was fair and consistent with best practices and to receive feedback on:

- GIF Structure
- GIF Collection Mechanism
- GIF Term
- GIF Annual Evaluation

There were several opportunities for stakeholders to participate, including:

- Advisory Committee meetings
- Stakeholder meetings
- Online feedback form
- Written submissions

Stakeholder Participation

Pre-Consultation (Phase 1: December 2009 – January 2010)

Port Metro Vancouver met with 11 stakeholders, including associations and port operators, to seek feedback regarding the draft terms of reference and composition of the Gateway Infrastructure Program Advisory Committee (GIPAC) and how to broadly consult with Port stakeholders.

Gateway Infrastructure Program Advisory Committee Consultation (Phase 2: January 2010 – June 2010)

Port Metro Vancouver established a 10-member Gateway Infrastructure Program Advisory Committee and sought advice from the committee about the structure and implementation of the GIF and about how to effectively consult more broadly with Port stakeholders. Five GIPAC meetings were held.

The Gateway Infrastructure Program Advisory Committee (GIPAC) was comprised of the following associations and organizations:

- BC Wharf Operators Association
- Canadian Fertilizer Institute
- Canadian Manufacturers & Exporters
- Chamber of Shipping of British Columbia
- Coal Association of Canada
- IE Canada (Canadian Association of Importers and Exporters)
- Vancouver Terminal Elevator Association
- Western Canadian Shippers' Coalition
- Greater Vancouver Gateway Council
- Business Council of British Columbia

Port Stakeholder Consultation (Phase 3: April 1 – May 14, 2010)

Stakeholders were invited to attend one of a series of stakeholder meetings through emails and follow-up phone calls.

- 66 people attended the seven multi-stakeholder meetings
- 11 feedback forms were returned by web, email, fax or mail
- submissions were received through mail or email

Consideration of Advisory Committee and Stakeholder Input

Topic	Consultation Source	Consultation Input	Consideration of Input
Structure	GIPAC Meetings Feedback Forms Stakeholder Submissions	Suggested that Port Metro Vancouver should be paying for or contributing to GIP projects from their general revenue.	Port Metro Vancouver (PMV) will pre-fund 100% of the required industry contribution to the Gateway Infrastructure Program (GIP) projects. The Gateway Infrastructure Fee (GIF) will be structured to recover 90% of these costs plus financing and major maintenance costs from industry stakeholders over a 30 year period to 2040. Therefore, PMV's contribution from general revenue will be 10% of the initial capital cost of the Gateway Infrastructure Program.
Structure	GIPAC Meetings	Participants suggested that Port Metro Vancouver consider a separate GIF for each of the three trade areas so that the GIF amounts paid by each trade area would be more closely tied to the costs of the infrastructure improvements for those areas.	This suggestion has been incorporated into the GIF structure. Separate GIF rates for the Roberts Bank Rail Corridor, North Shore Trade Area and South Shore Trade area will be implemented. This will provide a closer link between benefits received and cost of the GIF.
Structure	GIPAC Member Submissions	The GIF should be transparent and based on the cost-benefit for all parties	The GIF for each area will be published annually and a separate statement will be prepared that shows costs per trade area, GIF collected and costs remaining to be collected. All port users will benefit from the GIF projects. The Gateway improvements are estimated to produce an economic benefit of \$528-790 million. Specific benefits from GIP projects in the specific trade areas can be found in the GIF Discussion Paper on pages 6-11.
Structure	GIPAC Member Submissions Multi Stakeholder Meetings	The GIF should be broadened to include all port users, such as cruise ships and the Fraser River Trade Area	A key principle of the GIF, one that was echoed by many stakeholders, was that there should be a link between benefit and cost. No significant benefit of the GIP projects could be demonstrated for cruise lines, those operating in the Fraser River Trade Area, Burnaby and Port Moody, so GIF charges will not apply to them.
Structure	GIPAC Member Submissions	Ensure that the GIF is simple to understand and administer	Model 2, a tonnage based GIF and widely recognized as the simplest model, has been selected for implementation.
Structure	Multi Stakeholder Meetings	Participants wanted to confirm that the GIF was being applied to recover the	The GIF will recover only the industry portion of the GIP project costs which are pre-funded by PMV. This includes: <ul style="list-style-type: none"> the initial capital costs

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		cost of the 17 GIP projects, and that no additional projects would be added into the GIP at a later date.	<ul style="list-style-type: none"> major maintenance costs financing costs if necessary, an amount equal to the federal stipend. <p>PMV will contribute 10% of industry's total contribution to the GIP projects.</p> <p>No additional projects will be added to this GIP. Extensive consultation will be undertaken prior to introduction of any industry-funded infrastructure programs should they be considered in the future.</p>
Structure	Multi Stakeholder Meetings	Participants suggested that Port Metro Vancouver look at integrating the GIF into existing fees, such as harbour dues or wharfage, rather than as a separately identified fee.	Integrating the GIF into existing fees would not have accomplished one of the key objectives - transparency of the fee.
Structure	Multi Stakeholder Meetings	Stakeholders should only pay for infrastructure improvements that directly benefit them.	<p>GIF will be applied by trade area to ensure that GIF payments will fund GIP projects within the stakeholder's trade area. There is a much clearer link between benefits from a specific trade area project and those operating within that trade area than would be the case with a uniform "port-wide" GIF.</p> <p>The Gateway improvements are estimated to produce an economic benefit of \$528-790 million. Specific benefits from GIP projects in the specific trade areas can be found in the GIF Discussion Paper on pages 6-11.</p>
Structure	Stakeholder Submissions	Carriers should not be exposed to GIF or responsible for collection of fees/carriers already pay Port costs.	The GIF will be a fee on cargo loaded or unloaded in the three trade areas. Full details of the collection mechanism will be determined through further discussion prior to the end of 2010.
Structure	Feedback Forms	All 11 respondents disagreed (somewhat or strongly disagreed) with GIF Model 1, a value-based GIF, saying that it was too complex.	GIF Model 1 was not selected for implementation as Model 2 best meets overall goals.
Structure	Feedback Forms	The majority of respondents agreed (8 agreed, 1 disagreed) with GIF Model	GIF Model 2 has been selected for refinement and implementation.

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		2, a tonnage-based GIF, noting that it was simpler and easier to understand.	
Structure	Feedback Forms	The majority of respondents disagreed (8 disagreed, 3 agreed) with GIF Model 3, a mode- and tonnage-based GIF, saying that it was too complex.	GIF Model 3 was not selected for implementation.
Structure	Feedback Forms	Opinion was divided (6 agreed, 5 disagreed) with a harbour dues-like model. Some said that a harbour dues-like model would be unfair and not transparent, while others said it would be easier to calculate.	Collecting the GIF through Harbour Dues would have made it difficult to meet the key objective of transparency. Applying the fee to ships directly, based on registered tonnage, was not considered fair as many ships entering the port do not load or unload their registered tonnage.
Structure	Feedback Forms	The GIF should only be applied to the Gateway Infrastructure Program projects/GIF should be cost recovery only, not a revenue generator. Should not be permanent.	The GIF will be used to recover the costs of the GIP projects. It is a cost recovery mechanism which will cease once the GIP project costs are repaid.
Collection Mechanism	Stakeholder Submissions	Rolling the cost of GIF into harbour dues or wharfage would necessitate shippers to pass the costs on, reducing their competitiveness by increasing administrative fees	Collecting the GIF through Harbour Dues would have made it difficult to meet the key objective of transparency. Applying the fee to ships directly, based on registered tonnage, was not considered fair as many ships entering the port do not load or unload their registered tonnage. The GIF will be a fee on cargo loaded or unloaded in the three trade areas. Full details of the collections mechanism will be determined through further discussion prior to the end of 2010.
Collection Mechanism	Feedback Forms	Respondents were divided (5 agreed, 4 disagreed) with collection of the GIF through terminal operators. Some said that it would be too complex and difficult to administer, while others said it would be simple and easy to monitor and calculate.	The GIF will be a fee on cargo loaded or unloaded in the three trade areas. Full details of the collections mechanism will be determined through further discussion prior to the end of 2010.
Collection Mechanism	Feedback Forms	Slightly more respondents agreed (6 agreed, 4	

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		disagreed) with collection of the GIF through shippers' agents. Those who disagreed stated that it would be too complex.	
Term	Multi Stakeholder Meetings	Some participants representing cargo shippers wanted Port Metro Vancouver to examine the possibility of shortening the GIF term and collecting higher amounts.	The term of the GIF will remain at 30 years to approximate the life of the infrastructure constructed. This is the most equitable method of ensuring the cost is borne by the users of the infrastructure over its life, and it will automatically include contributions from new terminals established during the repayment period, for the proportion of the period that they benefit from the infrastructure that is created.
Term	Feedback Forms	Most respondents disagreed (7 disagreed, 2 agreed) with shortening the GIF term through increased monthly payments. This is likely due to reluctance to agree to increased monthly payments.	
Term	Feedback Forms	Respondents were divided (4 agreed, 4 disagreed) with collecting the GIF over a 30-year term, with some stating that a reduced term would be better.	
Annual Evaluation	Multi Stakeholder Meetings	Participants noted that transparency is important in the implementation of the GIF.	The GIF consultation process and structure have been designed to maintain the key objective of transparency.
Annual Evaluation	Feedback Forms	The majority of respondents agreed (7 agreed, 2 disagreed) with the proposed annual evaluation of the GIF, asking Port Metro Vancouver to ensure fairness and full disclosure.	PMV will report annually to stakeholders on the GIP costs, GIF collected and remaining costs to be recovered.
Competitiveness	Multi Stakeholder Meetings GIPAC Meetings	Concerned about the effect that the GIF would have on the competitiveness of Port Metro Vancouver and noted that it should be a consideration in the	A competitive analysis was conducted demonstrating that the Port and the related supply chain's competitive position would not be materially impacted by the introduction of the GIF.

Topic	Consultation Source	Consultation Input	Consideration of Input
		implementation of GIF.	
Consultation	GIPAC Member Submissions Stakeholder Submissions	Port Metro Vancouver needs to continue consulting with stakeholders/stakeholders cannot accept the approach that has been forced upon them	PMV will continue to consult on the implementation process for the GIF and has committed to consult in detail with stakeholders should there be any suggestions about similar stakeholder-funded infrastructure programs in the future.
Consultation	Stakeholder Submissions	Port Metro Vancouver did not consult broadly with stakeholders prior to committing to the GIP projects	Consultation was conducted prior to commitment of the GIP projects, however, the level of consultation was not fully consistent across all trade areas. PMV has committed to consulting in detail with stakeholders should there be any suggestions about similar stakeholder-funded infrastructure programs in the future.
Precedent	Multi Stakeholder Meetings	Participants were concerned about the precedent that the GIF will set for the way in which Port Metro Vancouver and other Canadian ports would fund infrastructure improvements in the future.	Harbour Dues and other fees are used to recover the cost of a number of capital and operating expenditures that are not agreed by contract with specific stakeholders. The GIP and GIF have undergone significant stakeholder consultation and will enjoy clear transparency in their establishment and application. Industry contributions to the funding of these projects have ensured their progression. PMV has secured \$3 million from other agencies for every \$1 million that industry stakeholders are investing. GIP projects would not proceed without industry contributions through GIF.
Contractual obligations	Stakeholder Submissions	Paying the GIF is not in the current contractual obligations of terminals	PMV's standard lease contains a term requiring tenants to collect fees on behalf of PMV. Discussions with individual terminals will establish the most effective and efficient collection methodology.
Opposition	Stakeholder Submissions	Against implementation of GIF	There was general agreement that the GIP projects will be valuable and necessary additions to the gateway. PMV agreed to pre-fund the industry contribution to these projects to ensure that government and third party contributions were captured and leveraged. GIP project stakeholders will provide their contribution through payment of the GIF.