



PORT METRO  
**vancouver**

# Gateway Infrastructure Fee

Annual Report

*For the year ended December 31, 2012*

## CFO's Message

We have prepared this report in line with a commitment that Port Metro Vancouver ("PMV") made to industry during the Gateway Infrastructure Fee ("GIF") consultation process in 2010, when PMV stated that the GIF would only be used as a cost recovery mechanism and that the program would be transparent.

PMV developed the 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, PMV has secured \$3 million from other agencies for every \$1 million PMV and its industry customers and stakeholders are investing. Local communities also benefit from 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 are being led by a variety of funding partners from both industry and government and I'm pleased to note that, as of the end of 2012, three projects were completed (one in 2011 and two others in 2012). The majority of the remaining projects are on budget and on track to be completed in time to remain eligible for the funding promised by the Government of Canada through the Asia Pacific Gateway and Corridor Initiative and the Infrastructure Stimulus Funding programs. I'm also happy to report that the three completed projects, including the Lynn Creek Rail Bridge, Brooksbank Avenue Underpass, and the 80<sup>th</sup> Street Rail Overpass, have been completed on time and on budget.

During the development of the GIP, PMV agreed to pre-fund \$167 million of costs on behalf of industry. PMV will contribute 10 per cent towards the overall industry component of the GIP projects and will recover the remaining 90 per cent from industry stakeholders through the GIF. The fee is being collected by all 19 of PMV's terminal partners across three trade areas.

I hope that you feel this report meets the commitment we made.



Allan Baydala  
Chief Financial Officer  
Port Metro Vancouver

## Projects Completed in 2012

### Brooksbank Avenue Underpass (Completed in February 2012)

Before:



After:



### 80th Street Rail Overpass (Completed October, 2012)

Before:



After:



## Gateway Infrastructure Fee Update

The GIF is a \$717 million dollar capital investment program that consists of 17 projects designed to bring important benefits to the Port industry and the communities surrounding the Port. Further information on the GIF projects can be found at:

[www.portmetrovancover.com/en/projects/Gateway\\_Infrastructure\\_Program/GIP.aspx](http://www.portmetrovancover.com/en/projects/Gateway_Infrastructure_Program/GIP.aspx)

[www.robertsbankrailcorridor.ca](http://www.robertsbankrailcorridor.ca)

### Current Rates

Vancouver Fraser Port Authority ("Port Metro Vancouver" or "PMV") officially announced the implementation of the GIF on October 29, 2010. In that announcement, PMV established rates covering a four year time horizon, from January 1, 2011 to December 31, 2014. The GIF rates announced are shown below and additional information can be found in PMV's Fee Document at:

[www.portmetrovancover.com/en/users/fees.aspx](http://www.portmetrovancover.com/en/users/fees.aspx)

### Containerized Cargo Rates:

| <b>Gateway Infrastructure Fee – Fee Payable per TEU</b> |             |             |             |             |
|---|-------------|-------------|-------------|-------------|
| <b>Trade Area</b>                                       | <b>2011</b> | <b>2012</b> | <b>2013</b> | <b>2014</b> |
| North Shore Trade Area                                  | \$0.50      | \$0.50      | \$1.00      | \$1.00      |
| South Shore Trade Area                                  | \$0.50      | \$0.50      | \$1.00      | \$1.00      |
| Roberts Bank Rail Corridor                              | \$0.30      | \$0.30      | \$0.60      | \$0.60      |

### Non-Containerized Cargo Rates:

| <b>Gateway Infrastructure Fee</b>       |             |             |             |             |
|---|-------------|-------------|-------------|-------------|
| <b>Trade Area</b>                       | <b>2011</b> | <b>2012</b> | <b>2013</b> | <b>2014</b> |
| North Shore Trade Area                  |             |             |             |             |
| - Breakbulk lumber rates per MFBM       | \$0.07      | \$0.07      | \$0.14      | \$0.14      |
| - Breakbulk log rates per MFBM-Scribner | \$0.19      | \$0.19      | \$0.38      | \$0.38      |
| - Other cargo rates per metric tonne    | \$0.05      | \$0.05      | \$0.10      | \$0.10      |
| South Shore Trade Area                  |             |             |             |             |
| - Cargo rates per metric tonne          | \$0.05      | \$0.05      | \$0.10      | \$0.10      |
| Roberts Bank Rail Corridor              |             |             |             |             |
| - Cargo rates per metric tonne          | \$0.03      | \$0.03      | \$0.06      | \$0.06      |

PMV's GIF rates were set to enable it to recover 90% of the costs that it expected to contribute on behalf of industry to the GIF. GIF rates were based on a series of assumptions, including total GIF spending, volumes of goods moving through the trade corridors, interest rates, and others.

## 2012 Volumes and Revenues

The following tables show how PMV's expectations for trade corridor volumes, fee revenues and program spending in 2012 compare to actual results.

**Table A – PMV 2012 Volumes Subject to GIF**

| Trade Area   | Total Metric Tonnes (in 000s) <sup>(A)</sup> |                         |               |
|--------------|--|-------------------------|---------------|
|              | Actual                                       | Forecast <sup>(B)</sup> | Variance      |
| North Shore  | 26,618                                       | 20,598                  | 6,020         |
| South Shore  | 19,261                                       | 17,558                  | 1,703         |
| Roberts Bank | 39,241                                       | 29,840                  | 9,401         |
| <b>Total</b> | <b>85,120</b>                                | <b>67,996</b>           | <b>17,124</b> |

(A) Containerized tonnage is estimated based on actual TEUs

(B) Equal to average actual volumes from 2008-9

**Table B – PMV 2012 GIF Revenues (in \$000s)**

| Trade Area   | Actual         | Forecast       | Variance     |
|--------------|----------------|----------------|--------------|
| North Shore  | \$1,348        | \$1,030        | \$318        |
| South Shore  | \$1,004        | \$900          | \$104        |
| Roberts Bank | \$1,222        | \$907          | \$315        |
| <b>Total</b> | <b>\$3,574</b> | <b>\$2,837</b> | <b>\$737</b> |

Actual trade corridor volumes were higher than the originally estimated in 2010 due to growth in both containerized and non-containerized traffic. As a result of this growth, revenues also exceeded expectations.

## 2012 Expenditures

GIP spending in 2012 was also less than originally expected, although it exceeded 2012 GIF revenues by over \$20 million. Expenditures were below forecast as many of the projects had not entered the construction phase at the beginning of the year, as expected originally. More time than originally estimated is also being spent on project design and consultation, in order to reduce the risks associated with these large scales, multi-stakeholder projects.

**Table C – PMV 2012 GIP Expenditures (in \$000s)**

| Trade Area / Project  | Actual                   | Forecast        | Variance          |
|---|--------------------------|-----------------|-------------------|
| <b>North Shore</b>  |                          |                 |                   |
| Lynn Creek Rail Bridge  |                          | \$2,341         | (\$2,341)         |
| Brooksbank Avenue Underpass   | (\$3,596) <sup>(A)</sup> | \$1,583         | (\$5,179)         |
| Low Level Road Project – combined project (including PMV Land Contribution) <sup>(B)</sup>            | \$3,467                  | \$7,089         | (\$3,622)         |
| Phillip Avenue Grade Separation   |                          |                 |                   |
| Western Low Level Route Extension to Marine Drive   |                          |                 |                   |
| <b>Subtotal</b>   | <b>(\$130)</b>           | <b>\$11,013</b> | <b>(\$11,142)</b> |
| <b>South Shore</b>  |                          |                 |                   |
| South Shore Corridor Project (including PMV Land Contribution) <sup>(C)</sup>                         | \$7,644                  | \$14,502        | (\$6,858)         |
| Powell Street Grade Separation  | \$2,045                  | \$7,748         | (\$5,703)         |
| <b>Subtotal</b>   | <b>\$9,689</b>           | <b>\$22,250</b> | <b>(\$12,561)</b> |
| <b>Roberts Bank</b>   |                          |                 |                   |
| 41B Street Rail Overpass  | \$293                    | \$737           | (\$444)           |
| 80 <sup>th</sup> Street Rail Overpass   | \$2,478                  | \$1,475         | \$1,004           |
| 152 <sup>nd</sup> Street Rail Overpass  | \$1,247                  | \$1,014         | \$234             |
| Panorama Ridge At-Whistle Cessation   | \$746                    | \$1,905         | (\$1,158)         |
| 192 <sup>nd</sup> Street/54 <sup>th</sup> Avenue/196 <sup>th</sup> Street Overpass (“Combo projects”) | \$8,503                  | \$7,864         | \$639             |
| 64 <sup>th</sup> Avenue/Mufford Crescent Overpass   | \$477                    | \$645           | (\$168)           |
| 232 <sup>nd</sup> Street Overpass   | \$764                    | \$1,720         | (\$956)           |
| Rail Crossing Information System  |                          |                 |                   |
| Program general   |                          |                 |                   |
| <b>Subtotal</b>   | <b>\$14,509</b>          | <b>\$15,360</b> | <b>(\$851)</b>    |
| <b>Total</b>  | <b>\$24,068</b>          | <b>\$48,623</b> | <b>(\$24,554)</b> |

(A) PMV received \$3,596,000 more from funding partners than it had in expenditures in 2012.

(B) Includes approximately \$2.8 million in PMV land contributions.

(C) Includes approximately \$3.5 million in PMV land contributions.

In 2013, spending on active projects will ramp up, as most projects are scheduled to be completed in 2014. In 2013, approximately \$60 million is expected to be spent to take many of the incomplete projects near to completion by the end of the year.

The actual revenue and construction expenditure information (excluding PMV Land contributions) in Tables B and C above were taken from Note 21 of the Audited Financial Statements of Vancouver Fraser Port Authority for the year ended December 31, 2012. These financial statements were audited by the independent auditors KPMG LLP. Copies of PMV's audited financial statements can be found on PMV's website at:

[www.portmetrovanouver.com](http://www.portmetrovanouver.com)

PMV contributed land to the North and South Shore Trade Area projects that had significant value. Therefore, PMV will recover 90 percent of the value of its land contributions to the GIF, as was originally proposed. PMV's land contributions were originally estimated at \$14 million. However, due to changes to project designs and requirements, PMV's land contributions are now expected to be approximately \$10 million.

### **Gateway Infrastructure Fee Rate Outlook**

In mid 2010, PMV established GIF rates for the 2011 to 2014 period. Overall, GIF rates are calculated so that, by trade area, PMV earns net GIF revenues that are equal to 90% of the amounts that it pre-funds to the GIF projects. Rates for 2011-2014 were set at levels that would gradually step up to the levels required to recover 90% of the GIF capital investments and financing costs over 30 years. Rates were set conservatively low over this four year time horizon so that, in the event the GIF projects were delivered under budget, PMV would not be overcharging industry. Rates were also set for 4 years to give industry some certainty of initial costs. Rates for 2015 and beyond will take into account prior volumes and GIF revenues and will be set at levels that only allow PMV to recover the remainder of the GIF amounts by 2040.

### Program Spending

In order to make rate calculations, PMV needed to make a number of assumptions about the future. One was the amount of capital spending required to deliver the 17 GIP projects. The table below compares PMV's original assumptions back in 2010 about total GIP project spending to revised forecasts as at December 31, 2012.

**Table D – Gateway Infrastructure Program Total Spending (in \$000s)**

| Trade Area / Project  | Project Lead                  | Original GIP Budget | Current Estimate | Variance         |
|---|-------------------------------|---------------------|------------------|------------------|
| <b>North Shore Trade Area</b>   |                               |                     |                  |                  |
| Lynn Creek Rail Bridge  | Port Metro Vancouver          | \$21,000            | \$10,582         | \$10,418         |
| Brooksbank Avenue Underpass   | Port Metro Vancouver          | \$24,900            | \$16,842         | \$8,058          |
| Low Level Road Project – combined project   | Port Metro Vancouver          | \$107,500           | \$104,580        | \$2,920          |
| Phillip Avenue Grade Separation   | District of North Vancouver   | \$42,600            | \$37,400         | \$5,200          |
| Western Low Level Route Extension to Marine Drive   | TBD                           | \$86,800            | 86,800           |                  |
|   | <b>Subtotal</b>               | <b>\$282,800</b>    | <b>\$256,204</b> | <b>\$26,596</b>  |
| <b>South Shore Trade Area</b>   |                               |                     |                  |                  |
| South Shore Corridor Project  | PMV                           | \$79,500            | \$81,947         | (\$2,447)        |
| Powell Street Grade Separation  | City of Vancouver             | \$47,500            | \$50,020         | (\$2,520)        |
|   | <b>Subtotal</b>               | <b>\$127,000</b>    | <b>\$131,967</b> | <b>(\$4,967)</b> |
| <b>Roberts Bank Rail Corridor</b>   |                               |                     |                  |                  |
| 41B Street Rail Overpass  | BC Ministry of Transportation | \$24,000            | \$15,300         | \$8,700          |
| 80 <sup>th</sup> Street Rail Overpass   | Corporation of Delta          | \$19,000            | \$17,600         | \$1,400          |
| 152 <sup>nd</sup> Street Rail Overpass  | City of Surrey                | \$41,000            | \$35,000         | \$6,000          |
| Panorama Ridge At-Whistle Cessation   | City of Surrey                | \$24,000            | \$17,700         | \$6,300          |
| 192 <sup>nd</sup> Street/54 <sup>th</sup> Avenue/196 <sup>th</sup> Street Overpass (“Combo projects”) | City of Surrey                | \$117,000           | \$117,000        | \$0              |
| 64 <sup>th</sup> Avenue/Mufford Crescent Overpass   | BC Ministry of Transportation | \$51,000            | \$55,000         | (\$4,000)        |
| 232 <sup>nd</sup> Street Overpass   | Port Metro Vancouver          | \$25,000            | \$25,000         | \$0              |
| Rail Crossing Information System  | Translink                     | \$1,000             | \$2,200          | (\$1,200)        |
| Program general   | Translink                     | \$5,000             | \$3,500          | \$1,500          |
|   | <b>Subtotal</b>               | <b>\$307,000</b>    | <b>\$288,300</b> | <b>\$18,700</b>  |
|   | <b>Total</b>                  | <b>\$716,800</b>    | <b>\$676,471</b> | <b>\$40,329</b>  |



Overall, GIP program spending is expected to be approximately \$40 million under budget. These cost savings are expected to flow through to GIP funding partners, including PMV and the stakeholders it is pre-funding. Table E below compares the pre-funding contributions PMV originally expected to make to the GIP projects to its current forecast.

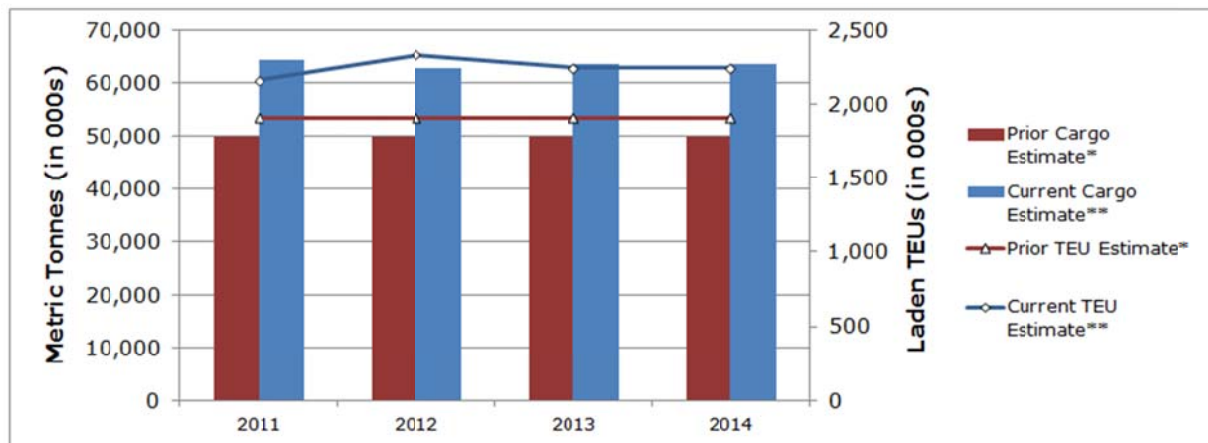
**Table E – PMV Pre-Funding Amounts (in \$000s)**

| Project                    | Original Forecast | Current Update   | Variance        |
|----------------------------|-------------------|------------------|-----------------|
| North Shore Trade Area     | \$59,000          | \$45,602         | \$13,398        |
| South Shore Trade Area     | \$58,000          | \$62,967         | (\$4,967)       |
| Roberts Bank Rail Corridor | \$50,000          | \$46,500         | \$3,500         |
| <b>Total</b>               | <b>\$167,000</b>  | <b>\$155,070</b> | <b>\$11,930</b> |

### *Volumes and Recovery*

Another important projection PMV made in 2010 when establishing GIF rates was the amount of cargo that was expected to move through the three GIP trade areas. Chart 1 below compares PMV’s original cargo and TEU volume assumptions made in 2010 to its current assumption.

**Chart 1 – PMV 2011-2014 Forecast of Volumes Subject to GIF**

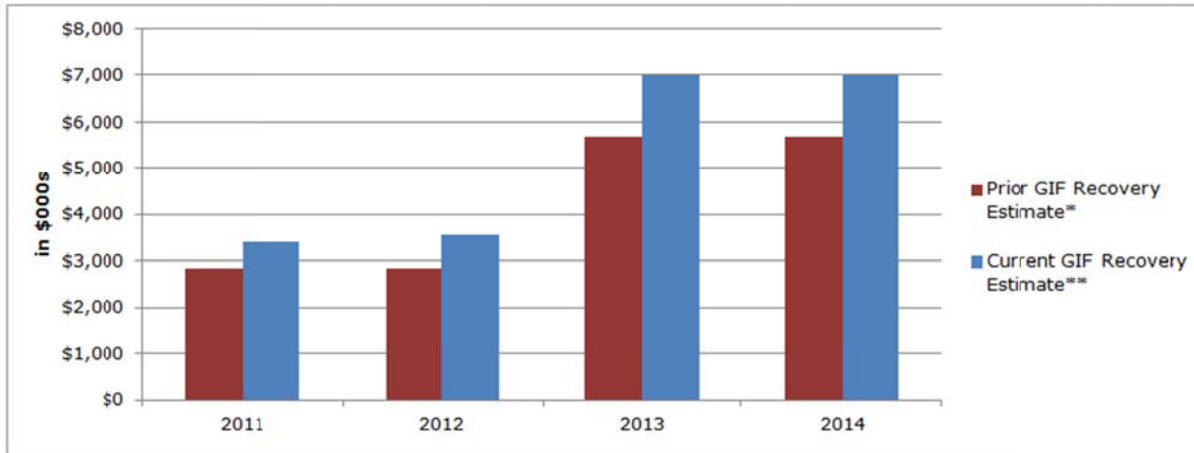


\* Prior estimate based on average 2008/2009 actual volumes.

\*\* 2011 and 2012 are actuals. Current estimate for 2013-2014 based on average 2011/2012 actual volumes.

Higher than originally estimated volumes between 2011 and 2014 will increase GIF recovery over those years (see Chart 2 below). Higher recovery in the initial years of the program will reduce the required recovery (and the rates) beyond 2014, compared to original estimates.

Chart 2 – GIF Estimated Recovery 2011-2014



\* Prior estimate based on average 2008/2009 actual volumes.

\*\* 2011 and 2012 are actuals. Current estimate for 2013-2014 based on average 2011/2012 actual volumes.

### ***Financing and Maintenance Costs***

Another important projection PMV made back in 2010 when establishing GIF rates related to its GIF financing costs. The financing costs that PMV is recapturing from the GIF are equal to those that would accrue on 90% of the amounts that PMV is contributing to the GIF projects. The interest rate being used to calculate these financing charges is the 4.63% rate that applies to PMV’s \$100 million 10 year bond that was issued in April 2010. This 4.63% rate is the one being used for the purposes of calculating GIF financing charges until PMV’s bond matures in April 2020. After that, PMV’s GIF modeling assumes an interest rate of 8.84%. This rate is equal to the average yield on Government of Canada long term bonds from 1979 to 2009 plus the credit spread that applied to PMV’s 10 year bond issue in 2010, which was 0.85%. When PMV’s current \$100 million 10 year bond expires, the financing cost will be calculated by applying PMV’s then current borrowing rate. PMV’s assumptions about GIF financing costs have not changed since 2010.

PMV will be responsible for maintaining some of the GIF projects over the course of their 30 year estimated lives. As initially proposed, PMV will use some of the GIF revenues to cover major maintenance costs and other costs that it incurs that relate to these GIF assets. In 2010, PMV estimated these maintenance costs to be \$50,000 per annum over the final 20 years of the GIF projects. PMV plans to update this estimate when the assets that PMV will have responsibility for maintenance are completed.

**Rate Estimates**

The following tables show GIF rates in place for 2011-2014, plus PMV’s estimate of what GIF rates will be in place in 2015.

**Table F - Gateway Infrastructure Fee Rates per TEU – Containerized Cargo**

| Trade Area                 | 2011   | 2012   | 2013   | 2014   | 2015<br>(Original Est.) | 2015<br>(Current Est.) |
|----------------------------|--------|--------|--------|--------|-------------------------|------------------------|
| North Shore Trade Area     | \$0.50 | \$0.50 | \$1.00 | \$1.00 | \$2.19                  | \$1.03                 |
| South Shore Trade Area     | \$0.50 | \$0.50 | \$1.00 | \$1.00 | \$2.19                  | \$1.93                 |
| Roberts Bank Rail Corridor | \$0.30 | \$0.30 | \$0.60 | \$0.60 | \$0.79                  | \$0.62                 |

**Table G - Gateway Infrastructure Fee Rates per Metric Tonne – Non-Containerized Cargo**

| Trade Area                            | 2011   | 2012   | 2013   | 2014   | 2015<br>(Original Est.) | 2015<br>(Current Est.) |
|---------------------------------------|--------|--------|--------|--------|-------------------------|------------------------|
| <b>North Shore Trade Area</b>         |        |        |        |        |                         |                        |
| Breakbulk lumber rates per MFBM       | \$0.07 | \$0.07 | \$0.14 | \$0.14 | \$0.16                  | \$0.12                 |
| Breakbulk log rates per MFBM-Scribner | \$0.19 | \$0.19 | \$0.38 | \$0.38 | \$0.45                  | \$0.34                 |
| Other cargo rates per metric tonne    | \$0.05 | \$0.05 | \$0.10 | \$0.10 | \$0.12                  | \$0.09                 |
| <b>South Shore Trade Area</b>         | \$0.05 | \$0.05 | \$0.10 | \$0.10 | \$0.22                  | \$0.20                 |
| <b>Roberts Bank Rail Corridor</b>     | \$0.03 | \$0.03 | \$0.06 | \$0.06 | \$0.08                  | \$0.06                 |

After 2014, GIF rates would be set to recover 90% of the outstanding GIP costs over the remaining term to 2040. PMV will update its calculations with current volumes and actual project costs towards the end of 2014, when all projects will be complete, to calculate GIF rates effective January 1, 2015. PMV will follow a similar process annually thereafter, raising or lowering the GIF rates as necessary, so that PMV only collects GIF fees, on a net basis, that enable it to recapture 90% of the amounts that it prefunded on behalf of industry for the 17 GIP projects. Based on anticipated growth through the gateway, rates are expected to slowly decrease between 2015 and 2040.

## Frequently Asked Questions

### 1. How will GIF rates be calculated for 2015 and beyond?

In 2010, PMV calculated 90% of the present value it was expecting to contribute to the GIP projects and the anticipated net GIF revenues based on volume, rate, interest costs and major maintenance. Rates for 2011-2014 are those in its fee document and future rates were estimates. Rates for 2011-2014 were set at levels that generated increased revenues for PMV that broadly matched the cost of financing the capital investments that PMV was projected to be making on the GIP projects. PMV will update its calculations towards the end of 2014 when all projects will be complete to calculate GIF rates effective January 1, 2015. The rates will be determined to recover the 90% of costs to the end of the GIF recovery period in 2040. PMV will follow a similar process annually thereafter, raising or lowering the GIF rates as necessary, so that PMV only collects GIF fees, on a net basis, that enable it to recapture 90% of the amounts that it prefunded on behalf of industry for the 17 GIP projects.

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

If GIF revenues in any one year are over expectations, future years GIF rates will be re-set at lower levels to compensate so that the total amount of net GIF revenues PMV collects, on a present value basis, just equals 90% of the present value it contributed to the GIP projects. On the other hand, if GIF revenues in any one year are under expectations, future years GIF 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 GIF rates during the year?

No. GIF rates for the period 2011-2014 have been set. Starting in 2015, 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 GIF revenues will only equal 90% of the present value PMV contributed to the GIP projects.

### 4. If there is a material change in commodity mix moving through one of the 3 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 GIF was implemented. Since the customer moving increased cargo is benefiting more from the GIP projects, it's reasonable that they would pay more GIF and PMV 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 over the estimated 30 year life of the GIF and benefit directly from the GIP projects, then PMV will apply the GIF to those volumes moving through the new terminals. Increased volumes from new terminals should reduce the GIF rates for all terminals in that trade area, regardless of the commodities each terminal handles.

**6. I understand that PMV applied to have its Letters Patent amended so that its stipend would not apply to GIF. What is the status of this application?**

PMV made application to the federal Minister of Transport, Infrastructure and Communities in early 2011 to amend its Letters Patent so that Gateway Infrastructure Fee revenues would be exempt from stipend calculations. If this application was approved, PMV would have been able to lower its GIF rates. PMV's application was unfortunately rejected.

**7. I understand that PMV's financing costs relating to 90% of the amounts it is prefunding for the GIP projects are being recaptured by the GIF. What are these financing costs and how is refinancing taken into account?**

Currently, PMV's only debt is a \$100 million 10 year bond that it issued in April 2010. The yield on that bond is 4.63%. The financing costs are initially equal to PMV's bond interest rate applied to 90% of the amounts that PMV is contributing to the GIP projects. GIF rates are set so that PMV earns GIF revenues that will compensate it for GIP related financing charges but also repay GIP principle amounts over time until, at the end of 30 years, PMV has been reimbursed for 90% of its GIP contributions.

**8. 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?**

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

**9. What will the annual audit process be?**

Actual revenue and expenditures in Tables B and C in this report have been extracted from note 21 of the Consolidated Financial Statements of Vancouver Fraser Port Authority for the Years ended December 31, 2012. These financial statements were audited by the independent auditors KPMG LLP and KPMG's Independent Auditors Report is included in these financial statements. A complete copy of PMV's 2012 Financial Statements can be found at [www.portmetrovanouver.com](http://www.portmetrovanouver.com). The information in the Gateway Infrastructure Fee Rate Outlook section is, however, mostly based on volume forecasts and, as such, has not been audited.

**10. Terminal operators collect the GIF from vessel operators and cargo owners for containerized and non-containerized cargo respectively, and submit the fees to Port Metro Vancouver. Why is this collection mechanism used and is it legal?**

Due to the large number of containerized cargo owners that ship through PMV, it was determined that direct collection by PMV from individual cargo owners would be too impractical and would increase administration costs beyond acceptable levels. Therefore, in the case of containerized cargo, vessel operators were deemed responsible for the payment of this fee, and are expected to pass this fee along to cargo owners, as they see fit. Terminal operators are in the best position to collect and administer the GIF for PMV, given their more direct contact with shippers and vessel operators.

With respect to the legality of the GIF, in March of 2012, the Federal Court in Ottawa heard a judicial review of the Gateway Infrastructure Fee. The Court concluded that the GIF is not a tax, it is fair and reasonable for PMV to require vessel operators to pay the fee.

**11. What types of fees are incurred if GIF remittances are late and what happens to the money collected from these fees?**

PMV charges simple interest of 1.5% per month on overdue accounts. Late payments increase the required GIF recovery because interest continues to accrue on the payment amount until it is paid. The interest collected from late payers will be accounted for as GIF revenue.