

Update to industry: Gateway Infrastructure Fee 2022 (GIF2022)

December 9, 2020

Gateway Infrastructure Fee 2022 (GIF2022)

On January 1, 2022, the Vancouver Fraser Port Authority will implement a new fee called the Gateway Infrastructure Fee 2022 (GIF2022). The fee will recover contributions that the port authority is pre-funding, on behalf of industry, towards infrastructure projects and initiatives to increase the fluidity of the gateway.

As communicated in August 2020, the port authority has deferred the implementation of this fee by a year, from 2021 to 2022, in recognition of the impact that the COVID-19 pandemic has had on some of our industry stakeholders.

The features of GIF2022 have been determined based on technical and financial analysis, and input received from industry during Phase 2 consultation. GIF2022 is based on the cost recovery mechanism presented to industry during Phase 2 consultation as *Option 1: Tonnage-based cost recovery allocated by trade areas, with no change to amount or collection of existing GIF.*

GIF2022 will be:

- A tonnage-based fee allocated by trade area
- In place for 30 years to cost recover 90 percent of pre-funding for priority gateway infrastructure projects, with the port authority contributing 10 percent from its revenues
- Collected separately from the existing Gateway Infrastructure Fee implemented in 2011 (GIF)

Criteria

In developing the structure and features of GIF2022, the port authority considered three criteria, as presented to industry during Phase 2 consultation. It should be noted that the language in the fairness criteria has been updated, as shown in italics, to more accurately capture the need for increased infrastructure resulting from the operations of some terminals.

- **Fairness:** Cost recovery is based on the principle that gateway infrastructure improvements will benefit *or are necessitated by the operations of* gateway users, therefore gateway users should be subject to the fee. The cost recovery should be transparent and should not compromise port or port operator competitiveness.
- **Effectiveness:** The cost-recovery mechanism should raise the required port authority pre-funded infrastructure investment plus the cost of borrowing.
- **Efficiency:** The cost-recovery mechanism should be as simple and efficient to collect as possible.

Projected GIF2022 rates

Based on the projects that the port authority will be pre-funding on behalf of industry, below are the projected GIF2022 rates that would apply on January 1, 2022.

The amount to be cost recovered from each trade area and group of terminals is based on independent cost-benefit/impact analyses completed for the port authority that demonstrate the link between benefits from and/or needs for the proposed projects and terminals operating within each area.

These rates will be adjusted annually based on the preceding full year of actual volumes (i.e., 2020 for the fee being implemented on January 1, 2022), and updated project costs.

Applies to	Average of 2018 and 2019 volumes	Amount to be pre-funded on behalf of industry (\$Million)	GIF2022 per metric tonne (January 1, 2022)	GIF2022 per laden TEU (January 1, 2022)
Roberts Bank Trade Area	30,719,816 MT 1,425,149 Laden TEU	\$81	\$0.10	\$0.93
Fraser River Trade Area	2,462,768 MT 234,937 Laden TEU	\$36	\$0.38	\$4.23
South Shore Trade Area	18,188,905 MT 1,185,974 Laden TEU	\$145	\$0.27	\$2.62
North Shore Trade Area	33,178,285 MT 26 Laden TEU	\$50	\$0.08	\$1.19
Terminals east of the Second Narrows Bridge	10,307,698 MT	\$26	\$0.14	N/A
All laden containers (for Portside Blundell overpass and upgrades project) ¹	2,846,085 Laden TEU	\$42	N/A	\$0.79
Total		\$380²		

¹ This fee would be applied to all laden containers through the Port of Vancouver deep sea terminals in addition to GIF2022 rates per trade area.

² Estimated project cost as of October 2020. The port authority will contribute 10%, or \$38 million, from its revenues and recover the balance through GIF2022.

Priority gateway infrastructure projects pre-funded through GIF2022

Since 2017, the Vancouver Fraser Port Authority and its partners have been seeking federal funding for priority gateway infrastructure projects across the Vancouver gateway. Funding commitments and pre-funding contributions from the port authority, on behalf of industry, will leverage investments from others—including the federal government through the National Trade Corridors Fund, the provincial government, municipalities, railways and private sector industry—into trade enabling projects that will benefit the greater Vancouver gateway.

The port authority has committed \$380 million in pre-funding towards the capital projects and initiatives listed below, which will be cost recovered through GIF2022. It should be noted that this is the complete list of projects to be cost recovered through GIF2022. By committing this pre-funding, the port authority and industry are leveraging approximately \$2 million from the federal and provincial governments and other partners for every \$1 million being pre-funded.

As part of its requirement to be financially self-sufficient, the port authority will recover 90 percent of the pre-funding amount from industry, while contributing 10 percent from port authority revenues.

Project name	Location	Pre-funding (\$Million)
Pitt Meadows Road and Rail Improvements Project (formerly Harris Road Underpass and Kennedy Road Overpass Project)	City of Pitt Meadows	\$61
Mountain Highway Underpass Project	District of North Vancouver	\$6
Westwood Street and Kingsway Avenue Grade-Separations Project (planning study)	City of Coquitlam and City of Port Coquitlam	\$2
Pitt River Road and Colony Farm Road Rail Overpasses Project (planning study)	City of Coquitlam	\$2
Burrard Inlet Road and Rail Improvements Project – Centennial Road Overpass, Waterfront Road Access Improvements, Commissioner Street Road and Rail Expansion, and rail improvements along CP Cascade Subdivision	City of Vancouver and City of Burnaby	\$55
BI Line Double Tracking Project	City of Vancouver and City of Burnaby	\$29
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	City of Burnaby	\$58
Portside Blundell Overpass and Upgrades Project	City of Richmond	\$42
Fraser Surrey Port Lands Transportation Improvement Project	City of Surrey	\$13
Heatley Diamond Reconfiguration	City of Vancouver	\$6
Highway 91/17 and Deltaport Way Upgrade Project	City of Delta	\$88
Glen Valley Double Tracking	City of Abbotsford	\$10
GTCF Technical Analysis and Engagement	Region-wide	\$8
Total		\$380

Why these projects are needed

Trade through the Port of Vancouver is growing and additional investment is needed in the coming decade to improve road and rail interactions, and to remove existing and emerging bottlenecks. The capital projects pre-funded by the port authority on behalf of industry will provide national, provincial, regional, and local benefits. By removing capacity constraints and freight bottlenecks to get Canadian goods to market, these projects will help grow the economy, create well-paying jobs and support liveable, green communities with improvements to safety, mobility, and air quality.

Consultation regarding Priority Gateway Infrastructure Projects and cost-recovery mechanism options

The port authority has undertaken two rounds of consultation with industry regarding potential projects and the cost-recovery mechanism and structure.

Phase 1: Priority Gateway Infrastructure Projects (completed March 2017)

The first phase took place in March 2017, where the port authority asked industry to provide feedback regarding 13 projects that the port authority was considering providing pre-funding towards. The port authority received 19 submissions from industry that were considered in determining which projects to advance for federal funding in 2017 and 2019. A report summarizing feedback received during Phase 1 was distributed to industry stakeholders in July 2017 and is available at portvancouver.com/about-us/port-fees.

Phase 2: Cost Recovery Mechanism Options Consultation (completed November–December 2017)

In November and December 2017, the port authority consulted with industry regarding proposed cost-recovery mechanism options, which included distribution of a discussion guide and feedback form, opportunity for submissions and three meetings in Vancouver, one meeting in Toronto and one webinar. A report summarizing feedback received during Phase 2 was distributed to industry stakeholders in April 2018 and is available at portvancouver.com/about-us/port-fees.

Gateway Infrastructure Program Advisory Committee

As part of this consultation process, the port authority has engaged the Gateway Infrastructure Program Advisory Committee (GIPAC), made up from individuals representing shipping lines, shippers, goods movers and business associations. The GIPAC has had an opportunity to review and provide advice to the port authority regarding the content and process for industry consultation.

The Gateway Infrastructure Program Advisory Committee includes the following associations and organizations:

- BC Chamber of Commerce
- BC Marine Terminal Operators Association
- Canadian International Freight Forwarders Association
- Canadian Manufacturers & Exporters
- Chamber of Shipping of BC
- Coal Association of Canada
- Fertilizer Canada
- Global Automakers of Canada
- Greater Vancouver Board of Trade
- Greater Vancouver Gateway Council
- Canadian Association of Importers and Exporters (IE Canada)
- Shipping Federation of Canada
- Vancouver Terminal Elevators Association
- Western Canadian Shippers' Coalition

The GIPAC met prior to Phase 2 consultation. Some GIPAC members also participated in Phase 2 consultation meetings.

Next steps

There will be two further opportunities for industry input regarding GIF2022 prior to its implementation:

Phase 3: Information and Feedback Period Regarding Draft Fee Language (early 2021)

In Phase 3, we will provide an opportunity for industry stakeholders to review and provide feedback on draft language to be included in the fee document.

Fee Announcement and 60-Day Comment Period (Fall 2021)

Prior to implementation of the cost-recovery mechanism on January 1, 2022, there will be a comment period of at least 60 days, as required by the *Canada Marine Act*.