

Transport & Infrastructure

8. Keeping Ports Connected

DESCRIPTION

To ensure that the Canadian economy can continue to grow, investment in infrastructure and technology related to imports, exports and advancements in shipping are necessary. Infrastructure projects and technological advancements improve efficiencies, commodity pricing and will ensure Canada remains competitive on the world stage.

For infrastructure and technology projects to materialize, all levels of government must work with Canada's largest port – the Port of Vancouver – and ports across the country, to:

- coordinate investments in digital technology to enhance block chain and supply chain visibility; and,
- prioritize the timely and efficient approvals of infrastructure projects designed to meet Canada's trade objectives related to the shipping industry.
- Canadian trade connections and capacity can deliver the competitive advantage for Canada in the years ahead, but only if Canadian port authorities are able to plan for and advance projects that will meet the country's trade objectives.

BACKGROUND

The Port of Vancouver is about the same size as the next five largest Canadian ports combined. Home to 27 major terminals, the port is able to handle the most diversified range of cargo in North America: bulk, containers, breakbulk, liquid bulk, automobiles and cruise. As Canada's gateway to over 170 trading economies around the world, the port handles \$1 of every \$3 of Canada's trade in goods outside of North America. Enabling the trade of approximately \$240 billion in goods, port activities sustain 115,300 jobs, \$7 billion in wages, and \$11.9 billion in GDP across Canada.

However, even with these impressive stats, Canada's largest port is predicted to run out of space for containerized cargo by the mid to late 2020s. Container volumes through Canada's west coast have experienced significant growth over the last decade, a phenomenon that is expected to continue in the long-term. Various infrastructure projects have been completed or are currently underway in order to improve capacity on the west coast. But that is still not enough to meet the predicted demand. Canada's best solution is Roberts Bank Terminal 2 (RBT2) – a proposed new marine container terminal in Delta, BC that is needed to ensure Canada is able to meet its trade objectives. The project recently underwent a federal environmental assessment process, and a decision on the project from the Minister of Environment and Climate Change is expected in November 2020.

It is important to note that Canada Port Authority operations are not financed by tax dollars. They receive revenues from terminal and tenant leases as well as harbour dues and fees

charged to shipping companies that call at the port. The RBT2 project does not require the use of public funds, as the project will be funded by the port authority and private investment.

The investment will be recuperated by the proceeds of the long-term lease of the terminal operator and terminal user fees.

Scheduled to be operational by 2029, Robert's Bank Terminal 2 will add a \$1.3 billion increase to the GDP and \$127 million in federal tax revenue. Robert's Bank Terminal 2 will increase container-handling capacity on Canada's west coast by 33%, equivalent to 2.4 million twenty-foot equivalent units (TEU) per year and will handle 234 container ship calls annually. This is needed to ensure Canada has the needed trading infrastructure to participate effectively and efficiently in the global economy.

The Port of Vancouver is expecting cargo to grow at the rate of 3.6% over the next 4 years with the majority of increases coming from foreign sources. This is a major boon to the economy but there are two issues that are causes for concern:

1. Without adequate space for the containers, this increase will be diverted to other ports in the United States, resulting in higher prices on consumer goods in Canada.
2. Many international shipping lines that utilize digital technologies that are years ahead of current technology used by the Port of Vancouver will choose to go to other ports that can communicate with the new technology.

Top international shipping lines like A.P. Moller-Maersk are increasing their investment in digital technologies to improve efficiencies and sharpen competitive edges in what is an extremely capital-cost-intensive industry. The connectivity and digital efficiency of major ports and their operations is therefore becoming a critical differentiator in attracting and maintaining business from major shipping lines.

The newly updated United Nations Conference on Trade and Development liner shipping connectivity index (LSCI) shows Canada moving in the wrong direction in its rankings.

The LSCI measures container port performance to determine where countries rank within global ocean liner shipping networks based on several data streams, including the number of ships deployed to and from each country's seaports.

Canada's 2019 ranking dropped to 37th from 32nd in 2018 and is well down from its ranking of 23rd in 2006 and below smaller economies such as Colombia (34th). The United States ranks fifth overall.

Canada's competitiveness is weak and in addition to a supportive regulatory framework for the approval of infrastructure projects in shipping, it also requires large investment in supply chain visibility and block chain technology. The Vancouver Fraser Port Authority's Supply Chain Visibility Program provides better insight into the performance of the supply chain by using real-time, multi-modal information and data. This allows the port authority to identify network bottlenecks

and constraints, which in turn can inform improvements and infrastructure investment possibilities. The program will benefit Canadian exporters by optimizing the western Canadian supply chain, which will improve performance, capacity and resiliency.

In order for this program to succeed, the Federal government should require, or at the very least, incentivize, private industry to work more closely with the VFPA to facilitate development of performance metrics across supply chains, share data, develop and provide funding for technology solutions.

The activities of the Port of Vancouver terminals and tenants annually generate:

- \$24.2 billion in economic output
- \$11.9 billion in GDP
- \$7 billion in wages
- 115,300 jobs in Canada
- \$67,900 average wage for direct job versus \$44,000 average wage in Canada
- \$1.4 billion per year in tax revenues: federal: \$860 million; provincial: \$441 million; municipal: \$129 million

Canada's west coast is the gateway to trade with Asia. Our ports are planning for and mobilizing on various projects to support continued growth, but without sufficient regulatory support, they will not be able to meet Canada's trade objectives and Canada will fall behind. The Port of Vancouver, as Canada's largest port, is leading the way in collaborating with gateway partners and is inherent to the entire country's economic success now and in the future.

RECOMMENDATIONS

That the Government of Canada:

1. Guarantee that the port infrastructure projects across the country receive support and timely investments; and,
2. Work with the supply chain industry, in particular marine terminal operators, drayage companies, railways and port authorities to invest in digital technologies that allow seamless communication with the technology used by large commercial shipping companies, and
3. Work with Provincial/Territorial Governments to ensure that industrial land is protected so that it may be used to enhance port activity.