#60 - 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 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.

Background

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.

For instance, 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.[281],

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.

[281] https://www.portvancouver.com/wp-content/uploads/2022/05/2022-05-17-Brochure-key-facts-web.pdf

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 received federal approval, following a rigorous environmental assessment process that began in 2013.

It is important to note that Canadian 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.[282],

The investment will be recuperated by the proceeds of the long-term lease of the terminal operator and terminal user fees. The construction of the Roberts Bank Terminal 2 will add a $2.3 billion increase to the GDP and $519 million in tax revenue. Once it's operational by the early 2030s, the RBT2 project will add an annual $3 billion increase to the GDP and $631 million in tax revenue.[283], Roberts Bank Terminal 2 will increase container handling capacity on Canada's west coast by 50%,[284], equivalent to 2.4 million twenty-foot equivalent units (TEU) per year.[285], 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 nearly 3% over the next 4 years[286], 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.

[282] https://www.robertsbankterminal2.com
[283] https://www.robertsbankterminal2.com/projectfacts/
[284] https://www.portvancouver.com/news-and-media/news/steady-2022-cargo-volumes-through-the-port-of-vancouver-led-by-canadian-resource-exports-and-strong-second-half/
[285] https://www.robertsbankterminal2.com/about-the-project/container-forecasts/
[286] https://www.portvancouver.com/wp-content/uploads/2021/03/Drewry-container-forecast-report-final.pdf

Similarly, the Port of Montreal, the largest port in Eastern Canada, is battling the same capacity issues, with the Port expected to reach maximum capacity very soon.[287], The Port of Montreal sees over 2000 vessels per year, up to 2.500 trucks per day, and 60-80 trains per week with a 15.1 million tonnes volume of goods.[288] As Canada's second largest port, having connections to over 140 countries, the Port of Montreal handles goods from around the globe.

The Montreal Port Authority has proposed the Contrecoeur Terminal Expansion Project to plan for the forecasted increase in traffic. After completion, this project will add 60% more container handling capacity to the Port of Montreal equivalent of 1.15 million twenty-foot equivalent units (TEUs) per year.

This project has been in development since 2014 and recently saw a nearly 50% increase in its cost due to delayed investments by the Federal government {9}. The delay in funding will postpone the completion of the project which will hinder the ability for the Port of Montreal to function at its highest capacity.

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.

Canada's major ports are our gateway to international trade. 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.

[287] https://www.port-montreal.com/en/ctc-home/ctc-project
[288] https://www.port-montreal.com/en/the-port-of-montreal/about-the-port/at-a-glance/statistics

Recommendations

That the Government of Canada:

1. Guarantee that 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.

Endorsements

The Transportation & Infrastructure Committee abstains from endorsement of this resolution. The Committee was unable to reach consensus on the recommendations.

The Chamber Network Screening Committee agreed this resolution meets its eligibility criteria.

Submitted By: Richmond Chamber of Commerce

Supporting Organizations: Surrey Board of Trade

This is a sunsetting resolution from 2020