



CITY OF RICHMOND

REPORT TO COMMITTEE

TO: Planning Committee

DATE: April 25, 2001

FROM: Terry Crowe
Manager, Policy Planning

FILE: 4040-01

RE: Report on Ports Competitiveness

STAFF RECOMMENDATION

That the City endorse the February 28, 2001 letter from the GVRD to the Deputy Minister of Employment and Investment regarding the need for a more thorough review of ports competitiveness; and

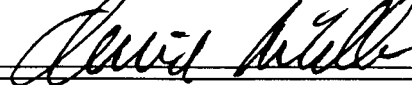
That the City write to the Deputy Minister of Employment and Investment and request that the City of Richmond be included in any future discussions on ports competitiveness.


Terry Crowe
Manager, Policy Planning

Att.

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CONCURRENCE OF GENERAL MANAGER



STAFF REPORT

ORIGIN

The Provincial Ministry of Employment and Investment retained the firm of Perrin, Thoreau & Associates Ltd. to prepare a report entitled "Options to Improve the Competitiveness of Ports in British Columbia". The Executive Summary of this report is attached as **Appendix 1**. A full copy of the report is available from the Clerk's Department.

The review was undertaken in response to concerns about competitiveness with American ports that were expressed by a group representing port authorities and terminal operators. The report attempts to identify factors that affect ports competitiveness and ways to address it.

The draft report was circulated to various stakeholders in January 2001 for review and comment. The Greater Vancouver Regional District (GVRD) was instrumental in circulating the draft report to member municipalities, including Richmond, and providing feedback to the Ministry. A final report was issued by the Ministry of Employment and Investment in March 2001.

ANALYSIS

Potential Strategies

The majority of strategies proposed in the report are in the form of municipal, provincial and federal tax relief and tax breaks to port operators and owners. Examples of potential options to address ports competitiveness proposed by the consultants include:

- Limiting local government tax rate authority on ports property.
- Removing ports property from the Major Industry Property Assessment Class.
- Exempting port terminals from sales tax on machinery and equipment and Corporation Capital Tax.
- Reducing tax rates on improvements on ports property.
- Increasing Provincial Investment Tax Credit against corporation income tax for various types of investment in manufacturing and processing equipment.
- Reducing federal revenues taken from port industries.
- Making Provincial government grants available for port infrastructure improvements.
- Establishing a land use planning process for port property.

Comments from Municipalities

Upon review of the earlier draft report, the City of Richmond, on February 28, 2001, provided the GVRD and Union of BC Municipalities (UBCM) with the comments attached as **Appendix 2**. The City has concerns about the balance and scope of the draft report. Many of the proposed strategies place heavy focus on property tax relief without an analysis of other aspects of port operations that may be changed or streamlined to reduce costs and increase return on investment.

On February 28, 2001, the GVRD also forwarded consolidated comments to the Ministry, outlining concerns about the lack of consultation with municipalities and the reliance on property tax relief without the acknowledgement of the services and infrastructure that these taxes provide for port operators.

Appendix 3 contains two letters from the GVRD:

- Letter dated February 28, 2001 to Deputy Minister of Employment and Investment Charles Kang outlining municipal comments and concerns. A full copy of the GVRD's background report is also available from the Clerk's Department.
- Letter dated March 12, 2001 to the City of Richmond requesting endorsement of the GVRD's February 28, 2001 letter.

Next Steps

The Ministry of Employment and Investment received comments from various stakeholders and finalized the draft report in March 2001. It acknowledged City and GVRD concerns about the focus on property tax relief by clarifying that other issues related to ports competitiveness (i.e. modes of transportation, federal port structure, labour relations, etc.) are being addressed in other forums. The other forums are not clearly defined at this time.

Recognizing the concerns that have been expressed by the GVRD, UBCM, and individual municipalities, the Ministry is currently developing a program of consultation with local and provincial governments to discuss the strategies in the report. The Province expects to initiate the consultation sometime this year.

OPTIONS

1. ***Request Inclusion in Consultation Process (Recommended)***

The City could write to the Minister of Employment and Investment now to request that the City of Richmond be advised of and included in any future discussions on ports competitiveness. This is a proactive approach that would indicate Richmond's interest and willingness to participate with the Ministry in this issue.

2. ***No Further Action***

The City could take no action at this time and wait for the Ministry to consult with the GVRD and/or UBCM. The City could then participate in discussions if invited to do so. Any further comments that the City had on proposed strategies or on the issue of ports competitiveness could be conveyed to the Ministry through the GVRD and UBCM.

FINANCIAL IMPACT

- None at this time.
- The report outlines several strategies that, if implemented, would reduce taxes on port authorities.
- This reduction of revenues to the City would impact the tax base by shifting more of the tax burden to other sectors, including the residential tax base.

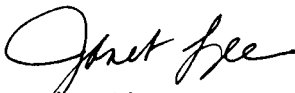
CONCLUSION

The City of Richmond has extensive lands and foreshore areas that are managed by the Fraser River Port Authority, the Port North Fraser and the Steveston Harbour Authority. Some of the proposed approaches outlined in the ports competitiveness report would have significant impacts on the City, if implemented.

The City of Richmond should take a proactive approach to ensure that it is adequately informed and consulted with on the issue of ports competitiveness. The GVRD, by way of its letter dated March 12, 2001 (in **Appendix 3**), is requesting endorsement of its February 28, 2001 letter to express unified support for greater consultation with municipalities to address concerns.

It is recommended that the City:

1. Endorse the GVRD's letter, and
2. Write directly to the Deputy Minister of Employment and Investment and request to be included in any future discussions on ports competitiveness.



Janet Lee
Planner 2

JL:cas



Volume I – Final Report

Prepared for: BC Ministry of Employment and Investment

Prepared by: Perrin, Thorau & Associates Ltd.

March 2001

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EXECUTIVE SUMMARY

Purpose

The purpose of this review is to address the following questions:

- Are British Columbia's ports competitive now, are they likely to be competitive in the long term?
- What are the factors that affect ports competitiveness and which factors have been or are being addressed?
- What options are available to the provincial government and local governments to take further action to improve ports competitiveness?
- What are the economic, social, environmental and public acceptability implications of each option?

The impetus for this review was a March 2000 report submitted to government by the BC Ports Competitiveness Committee, a group representing port authorities and terminal operators and owners in the Port of Vancouver, Port Fraser, Port North Fraser and the Port of Prince Rupert. The focus of this review is major, commercial ports in British Columbia. These are the ports that play an important role in the import and export of goods, including the six port authorities – Port of Vancouver, Fraser Port, Port North Fraser, Port of Prince Rupert, Port of Nanaimo and Port Alberni. Major industry or commodity specific private ports such as Squamish and Kitimat have been included for comparison purposes where appropriate.

This report is the result of a process that was facilitated by an independent consultant. A Review Group was established representing port authorities, port industry stakeholders, labour, local governments (including two mayors from port municipalities and a UBCM staff person), various provincial government agencies and the federal government. The process was directed toward gathering facts and the views of the various interested parties. The report is intended to provide the provincial government with the information needed to decide whether action should be taken to address British Columbia port competitiveness issues. This report does not represent a consensus but it is intended to provide a synthesis of the views of the various parties. The first draft of the report was provided to Review Group members for comment. The second draft of the report, incorporating initial comments was distributed to Review Group members for further comment and to the other port authorities, port municipalities and other interested parties for review and comment. This final draft of the report reflects the comments received by February 28, 2001.

Background

Ports are harbours, the businesses that operate in and around harbours and the entities that administer the harbours. They are complex systems of public and private sector enterprises that provide a key link between ground and water-based transportation and are therefore a link in the overall transportation system. Ports are comprised of a range of entities, including:

- terminal facility owners and operators, stevedoring and cargo handling companies involved in the handling of goods, or in the case of cruise ship terminals, people travelling through the port,
- other marine oriented businesses not directly related to the movement of goods such as shipbuilding and repair or fish processing,
- businesses not related to the transportation of goods or people or to marine services which occupy waterfront land such as the Fullerton property development in North Vancouver,
- port labour,
- shipping agents,
- vessel service suppliers (suppliers of tug, fuelling, repair and maintenance, insurance and other services to water carriers),
- port administrators, and other government bodies.

Much of this report is concerned with the use of "real property" located on or near tidewater for "ports purposes." Not all property adjacent to tidewater in a given harbour is necessarily owned by the port authority. The property in most ports is a patchwork of Canadian Marine Act (CMA) property managed by the port authority, privately held property and property owned by provincial and local governments. In addition, the majority of terminal operations and cargo handling functions are undertaken by private sector firms who either own port land, have leased land and water from the port authority, or have an operator's agreement with the port authority. Port authorities are federal government agencies and ports are primarily under federal jurisdiction. However, there are several aspects of port activity that are affected by provincial and municipal government actions, especially the activities of the private sector enterprises operating in the ports, such as terminal operators.

Canada is heavily dependent on international trade. It is the seventh-largest exporter and the eighth-largest importer among trading nations and exports more than one-third of the value of goods it produces. Accordingly, Canada's transportation system is crucial to the country's global competitiveness. In addition, transportation is a key component of the national economy in its own right. In 1998, transportation itself accounted for \$32 billion or 4.5 percent of Canada's total GDP.

The ports system forms a critical part of this national transportation system, supporting the movement of people, vessels and the transfer of cargo. Transportation by water is a highly efficient and Canada has benefited from its natural waterways and deep water harbours. The Canadian port system handles an average of 375 million tonnes of goods on an annual basis – 75 percent of which is moved to or from foreign ports.

The Port of Vancouver alone handled 72 million tonnes of goods in 1999, significantly more than any other Canadian port and more than any other port on the West Coast of North America. The total amount handled by all British Columbia ports was 133 million tonnes. Vancouver is also an important port of call for the cruise ship industry and in 1999 handled 950,000 cruise ship passengers.

British Columbia ports are also important contributors to the local and provincial economies. According to a 1999 report, the waterfront industry in the Greater Vancouver Regional District (GVRD) is responsible for creating 43,000 jobs directly and another 29,000 indirectly. The total

contribution of the GVRD waterfront industry to provincial GDP is about \$10 billion. The Port of Prince Rupert is essential to the economic livelihood of the Prince Rupert area and other ports (such as the ports in Kitimat and Port Alberni) are essential to support local industry.

Ports Competitiveness

The question of whether British Columbia are and will be competitive has been addressed by reviewing 21 relevant reports and studies, described in Appendix E. These reports highlight a number of themes, including:

- international trade is critical to the Canadian economy, the freight transportation system in British Columbia plays a significant role in ensuring Canada's competitiveness in the world market, and BC ports are a critical part of this system;
- BC ports costs¹ paid by shippers are higher than in US ports for some commodities, lower for others;
- ports costs are a small proportion of overall transportation costs and for the commodities that travel through BC ports, overall transportation costs are lower than for alternative routes;²
- a weak Canadian dollar has contributed to the competitiveness of Canada's transportation system;
- customers and shippers have increasing expectations and demands respecting service and reliability, which are significant factors in the decision about what port to use, sometimes outweighing transportation costs; and
- although British Columbia ports are at present competitive, there are a number of challenges to be faced and issues to be addressed if ports are to maintain their competitive position, including the competitive threat resulting from investment in US ports, the structure and financial arrangements associated with Port Authorities, encroachment on port land, the tax burden, particularly property taxation, labour relations and land transportation issues.

This review concludes that there is an emerging port competitiveness issue and that there are significant barriers to investment that will prevent British Columbia ports from making the investments needed to remain competitive in terms of service and capacity given the level of investment currently in US west coast ports.

All of the issues mentioned above are significant in terms of providing the investment climate necessary for ports to remain competitive. Several of them, including land-side transportation, federal port structure, labour relations are being addressed in other forums and are beyond provincial and local jurisdiction. Therefore the Review Group directed that options developed in this report focus on provincial government taxation, property assessment and taxation and land use policy.

¹ Ports costs are the costs associated with cargo handling and with the movement of ships through the port, such as pilotage and berthing fees but does not include transportation costs associated with land or water transportation.

² That may change with the proposed Cherry Point port development in Washington State, which would have access to the same land transportation routes as the Lower Mainland ports in British Columbia, making it an attractive alternative for current BC port traffic if ports costs are lower.

Property assessment and taxation is complex, especially as it applies to port property, so the report provides some additional background on this issue. A key feature is that port terminal operations are assessed and taxed in a property class known as Class 4 – Major Industry.

Total municipal property taxes paid by the Major Industry class of taxpayers in the Lower Mainland municipalities with a port industry presence in the year 2000 was about \$20.9 million,³ with about \$14.9 million or 71 percent from port industries. Total 2000 property taxes paid by port industries in the Lower Mainland (including provincial non-residential school property tax) was about \$19.3 million. According to the Port of Vancouver, property tax paid by terminal operators is about 9% of their operating costs on average, ranging from 6% to over 12%.

In several jurisdictions the total property tax rate applied to property in the Major Industry class is in excess of 5% (\$50 per \$1,000 of assessed value). The weighted average municipal property tax rate plus the provincial non-residential school property tax rate for the Major Industry property class in Lower Mainland municipalities with a port industry presence was \$46.44 per \$1,000 of assessed value, up from \$34.12 in 1988.⁴ In the US ports of Seattle, Tacoma and Portland, the average of property taxes and similar levies was US\$13.52 per US\$1,000 of assessed value in 1998⁵.

When new capital investment attracts a tax of 4% to 6% in every year, regardless of the income generated by the property, it is difficult to earn a sufficient return in a competitive market to justify the investment.

There are also municipalities in the Lower Mainland with tax rates for Major Industry property that are less than half of the highest rates. That represents a significant difference in the costs that must be supported by new investment in different locations.

Port stakeholders point to one circumstance in particular that demonstrates these issues – the case of Vancouver Wharves. Vancouver Wharves is a port terminal in the District of North Vancouver that was purchased by the BC Rail Group in 1993. As a result, it became exempt from property taxation because of Provincial government ownership, although payments in lieu of taxes equal to the full municipal property tax amount were paid up to 1996. At that time, the provincial government determined that Vancouver Wharves required significant capital investment to remain competitive with the US but that it could not afford to pay higher property tax amounts. Beginning with 1997, payments in lieu of property taxes were capped at the pre-investment level of \$2 million and a \$110 million capital expansion proceeded. If not for the cap, Vancouver Wharves would have paid \$5.8 million in 2000 rather than the \$2 million actually paid. The District of North Vancouver has reportedly requested that the provincial government require Vancouver Wharves to make payments equal to the full amount of the municipal property tax.

³ See Appendix D, Table 6.

⁴ See Table D6, Appendix D. In comparison, the average residential property tax rates for the same municipalities were \$12.93 and \$7.07 per \$1,000 of assessed value in 1988 and 2000 respectively.

⁵ Nowadnick, James, Overview of Property Tax Policy, Ports of Seattle, Tacoma and Portland, November, 1999.

The port authorities themselves are exempt from property tax because they are federal agencies. Payments in lieu of tax are made by some port authorities but not all. Payments in lieu of tax on port land is an issue for both ports and local governments.

Options

Several options for addressing the issues raised have been developed and their implications analyzed. The analysis has been done using several categories of implications, including the contribution the option would make to achieving the objective, the economic, social and fiscal implications, the administrative feasibility of the option and the likely public acceptability. In order to do that, a statement of the objective of the exercise was agreed by the Review Group, as follows:

"Given the strategic economic importance of ports as a key element of the Canadian transportation system, and as a significant economic player in their own right, the objective is to enable BC ports, terminal operators and other port businesses to continue to grow and expand in order to provide Canadian businesses (importers and exporters) with the transportation infrastructure and efficient services they need to successfully trade and compete in world markets".

The following is a list of the options identified and evaluated in the report:

1. Status Quo
2. *Local Government Act* Guideline on the Importance of Ports
3. Port Accord on Property Taxation and Land Use
4. Limit Local Government Tax Rate Authority on Ports property
5. Remove Ports property from the Major Industry Property Class
6. Investment Property Tax Holiday
7. Port Land Reserve/Assessment of Port Land
8. Exempt Vacant CMA Land from Assessment
9. Provincial Investment Tax Credit
10. Exempt Port Terminals from PST on Machinery and Equipment
11. Exempt Port Industries from the Corporation Capital Tax
12. Protect the Ability to Operate on Port property
13. Establish a Land Use Planning Process for Port property
14. Government Infrastructure Grants
15. Seek Federal Changes

The following table summarizes the analysis of the options:

Option	Effectiveness	Economic Implications	Social Implications	Fiscal Implications	Administrative Feasibility	Public Acceptability
1 Status Quo	Advocates of the objective believe it will not be achieved without action - others disagree with the objective or the need for action.	Advocates believe there will be significant economic costs - others disagree	Social benefits for those inconvenienced by the port if it declines - costs for those who lose income or jobs - potential environmental costs due to lack of investment.	Baseline - against which others are compared.	No implications.	Cancellation of investments and job losses may result in public outcry.
2 Municipal Act Guideline on the Importance of Ports	Some positive impact but unlikely significant.	Consistent with "Effectiveness."	None identified.	Depends on actions of local governments.	None identified.	Unlikely to be much reaction pro or con.
3 Port Accord on Property Taxation and Land Use	Potential for contribution to achieving the objective, depending on the nature of the accord.	Consistent with "Effectiveness." There could be additional economic implications depending on the measures adopted.	Negotiated accord implies few negative social implications. Potential equity concerns over special treatment.	Likely local and provincial fiscal implications, depending on the agreement.	May require legislation depending on the agreement.	Unlikely to be much reaction pro or con.
4 Limit Local Government Tax Rate Authority on Ports Lands	Likely to make a significant contribution by reducing property taxes, depending on specific measures.	Consistent with "Effectiveness." Benefits to port industries may be partially offset by increased costs to other taxpayers. Reduces market distortion.	Loss of local government autonomy.	Impact on local government depending on current tax rates resulting in increases to other tax rates, other revenue sources or service cuts.	Relatively complex legislation required.	Resulting residential property tax increases may result in public outcry. Likely significant local government opposition and calls for change by other taxpayers.
5 Remove Ports Lands from the Major Industry Property Class	Potential for contribution to achieving the objective by reducing property taxes and assessment-based investment disincentive.	Similar to Option 4.	None identified.	Similar to Option 4 plus a small fiscal cost to the provincial government.	Relatively simple legislative change.	Resulting residential property tax increases may result in public outcry. Local government opposition less likely.
6 Investment Property Tax Holiday	Potential for contribution to achieving the objective by removing property taxation investment disincentive.	Consistent with "Effectiveness." Could be viewed as a subsidy, increasing market distortion.	Few if voluntary, some loss of local autonomy if mandatory. Possible equity issues vis a vis recent investment or variations by municipality..	Little or no impact.	Considerable effort required to develop the program, based on previous model.	Unlikely to be much reaction pro or con but could generate calls for similar treatment by other industries.
7 Port Land Reserve/Assessment of Port Land	Contribution in terms of lower taxes, which could be reversed by local governments, and contribution from reduced encroachment.	Consistent with "Effectiveness."	None identified.	Some loss of local government revenue which would need to be offset and small loss of provincial revenue.	May create some challenges for BC Assessment Authority. Legislation required.	Unlikely to be much reaction pro or con.

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Option	Effectiveness	Economic Implications	Social Implications	Fiscal Implications	Administrative Feasibility	Public Acceptability
8 Exempt Vacant CMA Land from Assessment	Contribution in terms of lower taxes, which could be reversed by local governments.	Consistent with "Effectiveness."	None identified.	Some loss of local government revenue which would need to be offset and small loss of provincial revenue.	Relatively simple legislative change.	Unlikely to be much reaction pro or con.
9 Provincial Investment Tax Credit	Direct incentive to invest, depending on profitability.	Consistent with "Effectiveness." There are economic arguments against such subsidies, which distort markets - however, this market may already be distorted.	None identified.	Direct fiscal cost to the provincial government, with the amount depending on the specific program.	Relatively complex legislative change and administrative requirements since, unlike the existing program, there is no existing federal program.	Unlikely to be much reaction pro or con. Would increase pressure from others seeking similar program.
10 Exempt Port Terminals from PST on Machinery and Equipment	Direct reduction in the cost of investment in machinery and equipment, contributing to the objective.	Consistent with "Effectiveness." If applied only to port industries, may be viewed as an unfair subsidy.	None identified.	Direct fiscal cost to the provincial government estimated at \$6 million per year on average.	Relatively complex legislation and administration required. Unlike PST exemption for manufacturing and processing equipment, there is no model in other provinces.	Unlikely to be much reaction pro or con. Would increase pressure from others for similar exemptions.
11 Exempt Port Industries from the Corporation Capital Tax	Would contribute by removing a disincentive to investment.	Consistent with "Effectiveness." If applied only to port industries, may be viewed as an unfair subsidy.	None identified.	Direct fiscal cost to the provincial government estimated at \$1 million per year on average.	Relatively complex legislation and administration required.	Unlikely to be much reaction pro or con. Would increase pressure from others for similar exemptions.
12 Protect the Ability to Operate on Port Lands	Would contribute by reducing risk.	Consistent with "Effectiveness."	Some limitation of local government autonomy.	None identified.	Relatively complex legislation required.	May generate outcry from those unable to obtain restrictions on port activities. Unlikely to be much reaction pro or con.
13 Establish a Land Use Planning Process for Port Lands	Potential for contribution to achieving the objective, depending on the nature of the resulting plan.	Consistent with "Effectiveness."	None identified.	None identified.	Unclear if legislation would be required. Similar to existing land use planning processes.	Unlikely to be much reaction pro or con.
14 Government Grants for Infrastructure and/or Private Sector Investment	Direct government contribution to achieving the objective.	Consistent with "Effectiveness." Would clearly be a subsidy. Difficult to determine how much or which projects to support.	None identified.	Direct fiscal cost to the provincial government equal to the grants, partly offset by revenues generated by additional economic activity.	Relatively complex administration required.	May be concerns about diversion of funds from other public priorities.
15 Seek Federal Changes	Depends upon success in generating federal action.	Consistent with "Effectiveness" and depends on specific federal action.	May arise if British Columbia is advantaged above other regions.	May be federal fiscal impacts, depending on action taken, if any.	No administrative issues with seeking changes - federal administrative issues depend on actions, if any.	Unlikely to be much reaction pro or con.

Concluding Comments

The following are observations and conclusions that arise from this review:

- In spite of current strong performance, there are legitimate concerns among British Columbia's commercial, multi-purpose ports about their long term competitiveness.
- The primary concern is that significant new capital investment is required but there are significant barriers to investment at the present time.
- There are legitimate concerns about both the competitiveness of BC ports with US west coast ports and competitive equity among firms in port industries in British Columbia.
- Investment currently being made in the US or being planned has raised the level of urgency associated with this issue. In particular, the planned investment at Cherry Point, Washington State with its proximity to the Lower Mainland and access to the same land transportation network as the British Columbia ports means that barriers to investment will likely have real negative impacts on British Columbia port activity.
- There are a number of issues that have been identified as relevant to the ability of British Columbia ports to make needed investments, including the structure and financial arrangements related to port authorities (governance, number of authorities, port fees, the federal stipend (dividend) and payments in lieu of property tax), labour relations, land-side transportation infrastructure, provincial taxation, property assessment and taxation and land use policy.
- The foregoing answers the questions "Are British Columbia ports now competitive and are they likely to be competitive in future?" and "What are the factors of competitiveness?" In accordance with the Terms of Reference and the direction of the Review Group, the remainder of the review focused on several specific issues that are primarily within provincial jurisdiction and that are not currently being addressed in other venues.
- The specific issues for which options have been developed relate to provincial taxation, property assessment and taxation and land use policy.
- Some of these specific issues (i.e. property taxation and land use issues) relate to the conflict between national or provincial interests and local interests – it is difficult at the local level to base decisions upon questions of national economic interests when local residents have other priorities.
- It is recognized that dealing with the specific issues for which options have been identified in this report will only solve part of the problem. Other issues including transportation infrastructure and labour relations have the potential to also have a significant impact on competitiveness. However, the issues upon which the options focus have been demonstrated as legitimate and important factors in the ability of ports and port industries to make the investments they need to remain competitive.

February 28, 2001

Comments - City of Richmond
2nd Draft: Discussion Paper
Options to Improve the Competitiveness
Of Ports in British Columbia,
January 9, 2001

Purpose

The purpose of this report is to provide preliminary City of Richmond comments on the report entitled: "2nd Draft: Discussion Paper, Options to Improve the Competitiveness of Ports in British Columbia, January 9, 2001".

Status

- These City of Richmond comments are to be regarded as preliminary as not all City Departments have yet had an opportunity to provide their comments.
- Additional comments will be forwarded when they are prepared.

Defining the Problem

- The BC ports' competitiveness problem is not adequately defined.
- The problem is only hinted at by using vague and broad information, and anecdotes. For example:
 - page 32 indicates that "Port stakeholders believe that unless some changes are made in the near future, needed investment will not take place...."
 - page 33 indicates that "... port traffic could be lost if there is under-investment...."
- Even a sympathetic port supporter has no sense of the real:
 - issues, and
 - solutions which might be practical to apply.
- There is no dollar magnitude of the problems or solutions which ports are facing; accordingly, the range of acceptable dollar solutions is unknown; for example, page 46 refers to \$120-\$160 million and later to \$5.6 million. What is the magnitude of the desired solution on which anyone would start negotiating?
- There is no comparison of the port costs faced by BC and US ports to provide a sense of the magnitude of taxation. The majority of the report's recommended options focus on taxation, but the report does not indicate the degree to which taxation is a barrier to investment.
- On page vi, the report states that the weighted average total tax rate of the Major Industry property class was \$40.00 per \$1,000 of assessed value in the Lower Mainland, compared to \$13.52 per \$1,000 of assessed values in the US ports of Seattle, Tacoma and Portland.
 Is the value for the US ports expressed in US dollars or has it been converted to Canadian dollars?
 All values used to compare costs between US and BC ports should be expressed in the same currency in order to be comparable.
- It would be good to know:
 - the problem period which we are looking at, and
 - the solution period which BC is looking for (e.g., 5, 10, 15, or 20 years).

Incompleteness

- The report does not appear complete when evaluated against its own terms of reference.
- The issues which the report was to address are not comprehensively addressed.
- The report does not discuss whether other aspects of port operations can be streamlined or reviewed to save costs and increase returns on investment, as opposed to simply focussing on tax relief. Any review of competitiveness should include a review of labour costs, administrative structures, and operational logistics (to determine if there are redundancies).
- There is no complete assessment of all the factors which affect port competitiveness.

- On page v, the reports indicates that of a six issues identified, only 3 are selected for attention in the report – why?
- On page 13, the report indicates that the majority of studies cite the issue of road and rail access as a very significant factor for the long-term competitiveness of BC's port system. The authors acknowledge that access and congestion to the Lower Mainland ports is a critical issue that needs attention in the immediate future. However, there is no analysis of the magnitude of this issue and no recommendations are put forward to address it.
- On page 19, the report indicates that - currently there is no evidence to indicate what proportion of current port traffic is relatively sensitive and what proportion is relatively insensitive to competitiveness factors.
- Only selected issues were addressed in some detail in the report but these where not addressed completely.
- There is no ranking of competitiveness issues which was requested in the terms of reference.
- Page 31 states that options are not presented in order of effectiveness and no conclusion should be drawn from the order in which the options in the report are presented.

Suggestions

- It would be good to see comparisons and rankings of world, USA, Canadian and BC current problems and solutions from different stakeholders' viewpoints.
- It would be good to compare YVR airport competitiveness approaches as a reference point.

Land Use Planning Comments (page 49)

- It is agreed that improved co-ordination to land use planning for port land and adjacent municipally regulated lands could occur, as such is always desirable.
- It is recognized that the control by municipalities of port land is limited by legislation and the ports' "letters patent".
- Accordingly a continued co-operative approach is required for any land use planning improvements.

Timing

- There are too many relevant studies currently underway and not yet completed to prohibit an understanding and solution at this time.

Conclusions & Recommendations

- This report provides only a partial overview and awareness of BC port competitiveness problems and issues.
- At best, the report serves to raise awareness.
- It is suggested that no stakeholder (e.g., municipality) will commit to any solution until the above is completed.
- More analysis and stakeholders dialogue are required.
- It would be good to see comparisons and rankings of world, USA, Canadian and BC current problems and solutions from different stakeholders' viewpoints.
- It would be good to compare YVR airport competitiveness approaches as a reference point.
- Any reductions to taxes on port authorities (e.g. limiting local government tax authority, removing land from the Major Industry class) will impact the rest of the tax base as the remaining tax base will have to make up for the revenue loss. For many municipalities, including Richmond, the tax burden will shift to residential taxpayers. Therefore, any decision to reduce the amount of taxes paid by port authorities will be an unpopular decision.

February 28, 2001

- It is recommended that the goal be to prepare:
 - a comprehensive analysis, and
 - a long term integrated federal, provincial and municipal BC port competitiveness and development vision, strategy and implementation plan.

Thank you for the opportunity to review this report.

Request

Please send me the comments which you forward to the consultants.

Prepared by:

Terry Crowe, Manager

Policy Planning Department

City of Richmond

6911 No 3 Road

RICHMOND, BC

V6Y 2C1

Tel: 1-604-276-4139

Fax: 1-604-276-4052

Email: tcrowe@city.richmond.bc.ca



Greater Vancouver Regional District
4330 Kingsway, Burnaby, British Columbia, Canada V5H 4G8

Office of the Chairperson
Telephone (604) 432-6215
Fax (604) 432-6248

February 28, 2001

Charles Kang
Deputy Minister
Ministry of Employment and Investment
PO Box 9324 Stn Prov Gov't
Victoria, BC
V8W 9N3

Dear Mr. Kang:

Re: Discussion Paper on "Options to Improve the Competitiveness of Ports in British Columbia"

As you are aware from your meeting with the GVRD's Planning and Environment Committee on November 15, 2000, the issues being considered by your Task Force are of vital concern to the GVRD and a number of member municipalities. We therefore appreciate the extension of the deadline for completing the Ports Competitiveness Review, as we had requested on December 15, 2000. This has given us the opportunity to review the issues with staff from member municipalities, TransLink and the UBCM, and we would now like to offer the following comments on the Draft Discussion Paper, dated January 9, 2001.

There is strong agreement that the ports are an essential element of the local, regional, provincial and national economies, and that maintaining ports competitiveness is a shared goal. That said, we have a number of concerns about the Review process and the Draft Discussion Paper as they apply to the Greater Vancouver context.

We are not satisfied with how the Review has been conducted, in particular its lack of meaningful municipal participation in framing the issues and objectives, structuring the review, and identifying the options. This is especially disappointing given the high degree of interest in the topic, and the wealth of experience and insight that could be gained by adequate involvement of local stakeholders. Even with the extended deadline, there has only been sufficient time for a cursory analysis and review of the Draft Discussion Paper. More time and direct consultation with the municipal stakeholders after delivery of the report would have been appropriate.

The Draft Discussion Paper contains useful information on some of the issues which affect ports competitiveness and investment. However, the focus on property taxes and local land use policy is at times misleading, and certainly does not put appropriate emphasis on the underlying factors that will support or impede competitiveness in the future. On one hand, there is no doubt that property taxes can be a significant cost for individual sites or operators on port lands. Yet the same point applies to other industries. Fairness and equity are essential in applying tax policy at the local level, and any special consideration for individual sectors or industries will have an effect on other ratepayers.

On the other hand, it is important to remember that the ports and their industries benefit from the taxes they pay to support local services such as transportation infrastructure and policing. A more balanced analysis of the costs and benefits of local land use and taxation policy would be appropriate, in addition to an analysis of the impacts of provincial and federal taxes on our competitiveness relative to American ports.

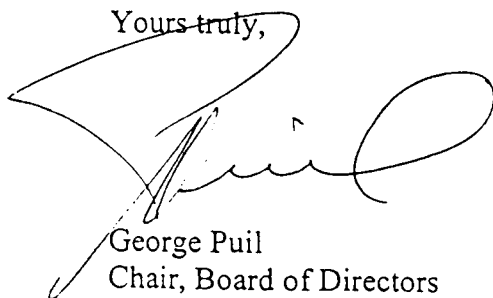
Far more important than local property taxes are the provincial and federal roles in establishing the framework for port operations and international trade. The land use, development and transportation policies pursued by the various ports are also relevant in setting their long-term growth prospects, as are port labour relations and other matters directly influenced by port practices, including the impact that port responsibilities for environmental management under the Canada Marine Act might have on local government costs for liquid waste management. Any credible analysis of ports competitiveness will have to consider these issues, as well as the competitive advantages we have over other regions, advantages which we should be capitalizing on, rather than discounting.

The GVRD and its member municipalities would be very interested in providing input to a comprehensive review of the status of our ports and their prospects for the future in the face of ever-increasing global competition. I am certain that if a thorough and inclusive review identifies municipal actions that could assist in improving ports competitiveness, in context with the other priorities of local government, these actions would be given the attention they deserve.

In addition to these overall comments, I understand that the UBCM is compiling specific municipal comments on the Draft Discussion Paper, which will be forwarded to your office by the February 28th deadline. These comments should assist you in determining what should be done with the Discussion Paper, and highlighting the issues that should be addressed in a more comprehensive review.

I trust these comments confirm that while the GVRD partnership has serious concerns with the Draft Discussion Paper and how it has been produced, we nevertheless would support a comprehensive review of ports competitiveness which involves all the affected stakeholders through each stage of the process.

Yours truly,

A handwritten signature in black ink, appearing to read 'George Puil', written over a large, stylized flourish that extends to the left and loops back under the signature.

George Puil
Chair, Board of Directors



March 12, 2001

His Worship Mayor Greg Halsey-Brandt
and Members of Council
City of Richmond
6911 No. 3 Road
Richmond, B.C. V6Y 2C1

Dear Mayor Halsey-Brandt and Members of Council:

Re: Comments on Draft Discussion Paper on Ports Competitiveness

On February 28, 2001 the GVRD Board of Directors endorsed the attached letter to Charles Kang, Deputy Minister of Employment and Investment, regarding the draft Discussion Paper on "Options to Improve the Competitiveness of Ports in British Columbia." The letter was forwarded to the Deputy Minister the same day. The Board also resolved to provide copies of the letter and background material (attached) to GVRD member municipalities to request their endorsement of the GVRD's comments. On behalf of the GVRD Board, I urge your Council to endorse the letter and send a strong message to the Deputy Minister that the Discussion Paper does not adequately address this important issue

If your Council agrees to endorse the letter, I suggest your endorsement be forwarded directly to the Deputy Minister with a copy to GVRD. If you have any questions about the letter or the background report, please contact Ken Cameron at 432-6379.

Yours truly,

George Puil
Chair, Board of Directors

Attachments

