

Written Submission for the Pre-Budget Consultations in Advance of the
Upcoming Federal Budget By:

BC Marine Terminal Operators Association



August 7th, 2020

Key Recommendations

Recommendation 1: The Government of Canada should conclude the Port Modernization Review and establish a national framework to review the structure, mandate, transparency and regulatory environment to ensure Canada's exports are more competitive going forward – taking immediate and urgent action to improve transparency and remove barriers to job creation and investment in the marine sector.

Recommendation 2: As the Government of Canada allocates the next phase of the National Trade Corridors Fund, it prioritizes marine related infrastructure investments that have a private sector partners, support safe waterways, supply chain efficiency and ensure sustainable growth in trade.

Recommendation 3: The Government of Canada support requests for direct relief to marine terminal operators and supply chain partners from Federal Port Authorities based on COVID-19 related cost increases and business declines – including, direct rent relief (not deferral) and direct access to federal government support programs as they develop.

Recommendation 4: The Government of Canada should not introduce any new taxation and/or policy measures that would add further costs and burden employers already grappling with the challenges presented by COVID-19.

Recommendation 5: In order to support Canada's GHG emission target commitments, and whereas Canada is a trade dependant economy and marine terminal operators are the front line where trade meets tidewater, the Government of Canada allocate portions of the Low Carbon Economy Fund and Green Infrastructure Fund specifically marine terminal operators to encourage new green equipment and technology adoption and implementation.

Dear Members of the Standing Committee on Finance,

I am writing on behalf of the BC Marine Terminal Operators Association (BCMTOA) to provide recommendations for consideration in advance of the development of the upcoming Federal Budget. BCMTOA recognizes the significant efforts government has made to assist individuals, businesses and communities cope with the immense health and economic impacts of the COVID-19 pandemic. Policy must now be developed to ensure operators are able to remain competitive and meet Canada's demand for terminal services through the recovery and beyond.

The BC Marine Terminal Operators Association (BCMTOA) is the voice of the majority of terminals on Canada's west coast. BC Terminals are the businesses that ensure safe exit for Canadian exports and serve as the welcome for imported goods essential for Canadians. While members directly employ more than 7,000 Canadians, 1 of every 5 Canadian jobs is dependent on exports supported by the Canadian maritime industry and its partners. Collectively, BCMTOA members have invested over \$5 billion in capital expansion and upgrades at their facilities since 2004 and are prepared, if enabled, to invest billions more in future years to meet the projected growth of Canada's Pacific Gateway. BCMTOA is committed to improving the economic and environmental viability of B.C.'s marine terminals, and to invest in and promote the value of the port industry to local communities, the province and the nation.

Through COVID-19, terminals have been focused on keeping the supply chain moving, while ensuring worker safety - with success. Every country around the world is currently looking at innovative ways to support foundation industries. Canada does not have the luxury of relying on its past success to assume future recovery. Canada's marine terminals are increasingly under pressure from competitors based in the U.S., where efforts are being made to provide federal economic relief and support post-COVID-19.

- **Recommendation 1: The Government of Canada should conclude the Port Modernization Review and establish a national framework to review the structure, mandate, transparency and regulatory environment to ensure Canada's exports are more competitive going forward – taking immediate and urgent action to improve transparency and remove barriers to job creation and investment in the marine sector.**

There is an urgent need to review and reform policy to ensure Canada's marine industry is even more competitive going forward. Over the last several decades, Canada's maritime industry, and the network supporting it, has developed into one of the best in the world. Canada's efforts towards a fully-integrated logistics supply chain and supporting network-driven initiatives like the Asia-Pacific Gateway & Corridor Initiative, ensure Canada's port system is world-class. To sustain this, there is more government can be doing to drive a truly national ports system, designed and capable of delivering the greatest possible economic benefit to the broadest group of Canadians now and into the future.

Today, the Canadian ports system suffers from an unclear and at times competing mandate and does not readily consider port-specific dynamics or circumstances. This results in a built-in negative, and often conflicting, dichotomy between the desire for free-market private sector behavior and the regulatory responsibilities of a publicly-owned government agency. Local economic and business realities cannot always be accommodated when national policy and investment decisions are made. The federal government should launch a comprehensive review to ensure a fully-optimized commercial system where existing and future export capacity is maximized and investments are truly strategic.

David Emerson, the former Chair of the Canada Transportation Act Review Panel. In his testimony to the House of Commons Standing Committee on Transport, Infrastructure and Communities in September 2017, Mr. Emerson stated:

"On the port authorities, my own feeling is that until there is a thorough review of the governance arrangements that deal with port authorities...I get very nervous about opening up more spigots, if you like, for these authorities to get hold of more money, because I'm concerned with the governance framework....I think there is inadequate governance in relation to deployment of capital; there's inadequate governance when it comes to making sure that there is a recourse to a regulator where there is abuse of monopoly power; and there is inadequate governance when it comes to port or airport authorities entering into business in competition with their own tenants, and so frankly I wouldn't give them any more access to money until you clean that up. "

The Canadian maritime system, and the private industries and companies that support it, are important contributors to the Canadian economy and trade competitiveness. At a time when Canada is faced with low productivity rates, and thanks to reforms put forward under the current Trump administration, an

increasingly attractive business tax and investment landscape in the United States, Canadian business stakeholders — along with government — need to be as vigilant as possible in enabling business growth. A national ports framework would provide a more open and transparent regulatory environment for trade investment infrastructure in Canada.

- **Recommendation 2: As the Government of Canada allocates the next phase of the National Trade Corridors Fund, it prioritizes marine related infrastructure investments that have private sector partners, support safe waterways, supply chain efficiency, and ensure sustainable growth in trade.**

A series of infrastructure investments are moving forward today and will improve the international competitive of the transportation of goods and people through the Pacific Ports through efficiencies on both terminal and off terminal infrastructure expansion. Through financial partnership with terminals, collected on a cost-recovery basis by the Vancouver Fraser Port Authority, more than \$300-million funded by the National Trade Corridors Fund is currently working to build efficiencies in the supply chain. The success of these investments is attributed to the prioritization of projects based on business needs. New infrastructure investments should be prioritised based on having private sector partners in place to work directly with government on shovel ready projects – ensuring minimal delays in competitive improvements and job creation.

Financial responsibility for new infrastructure should be shared by all stakeholders including the private sector partners, government and Port Authorities – this will ensure investments are serving the national interest and providing desired benefits to both government and the industry partners, who are at the front-line in developing trade-enabling infrastructure.

- **Recommendation 3: The Government of Canada support requests for direct relief to marine terminal operators and supply chain partners from Federal Port Authorities based on COVID-19 related cost increases and business declines – including, direct rent relief (not deferral) and direct access to federal government support programs as they develop.**

Since the advent of the threat of the novel coronavirus at Canadian ports in mid-January 2020, terminal operators have worked tirelessly with our labour partners to prioritize the health and safety of workers,

while ensuring that essential cargo including medical supplies moved safely at Canadian ports. With the support of Transport Canada, our labour partners and other key supply chain partners, Canada's waterfront innovated and adapted quickly to the dynamic challenges presented by COVID-19. As a designated essential service, our members established extensive COVID-19 waterfront industry prevention and response protocols. These necessary adaptations to protect the health and safety of the workforce, while ensuring the continuation of the nation's waterfront cargo handling operations, are resulting in hundreds of thousands in new monthly ongoing costs for terminal operators. Millions will be spent in 2020 in new incremental cleaning costs and additional PPE alone.

Through COVID-19, terminals have been focused on keeping the supply chain moving, while ensuring worker safety. It has been left to individual terminals to deal with their Port landlords to seek rental relief on a one-off basis, without clear and transparent criteria – and no substantial or meaningful rent reductions have been provided to the majority of terminal tenants. Nor have most terminals been able to access existing government programs or support.

It is essential that Port tenants are offered rent discounts that reduce their operating costs reflecting any drops in volume in a clear and transparent manner, and that such agreements do not simply defer rental payments down the road. This will ensure Canadian terminals can compete in real time for capital infrastructure budgets internally when multiple Ports are being evaluated for investment.

- **Recommendation 4: The Government of Canada should not introduce any new taxation and/or policy measures that would add further costs and burden employers already grappling with the challenges presented by COVID-19.**
- **Recommendation 5: In order to support Canada's GHG emission target commitments, and whereas Canada is a trade dependant economy and marine terminal operators are the front line where trade meets tidewater, the Government of Canada allocate portions of the Low Carbon Economy Fund and Green Infrastructure Fund specifically marine terminal operators to encourage new green equipment and technology adoption and implementation.**

Terminal operators are committed to sustainable trade and growth and are responsible for investing in on-terminal plant and equipment required to ensure that Canadian import and export cargoes are

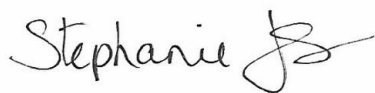
handled in an efficient, safe, and environmentally responsible manner. Over the course of several years, terminals have invested billions of dollars, with significant future investments planned to ensure that projected growth in cargo volumes can be appropriately accommodated in an environmentally sustainable fashion.

BCMTOA is proud of its members' commitment to sustainability and environmental stewardship. From operating procedures to equipment, we encourage all terminal operators to consistently look for ways to become greener, especially at a time where business continues to grow and increase its capacity. Allowing terminals to access incentive programs directly, would increase the direct incentives to businesses, and lead to greater investment in green technology.

As a final note, BCMTOA recognizes that the Port Modernization Review may address some of the issues raised in this submission. These recommendations encourage that the Port Modernization Review process be expanded to reflect the urgency of COVID-19 and ensure the federal government's economic recovery objectives are incorporated - providing transparency and accountability in all decisions impacting the attraction of investment and long term export capacity for Canada, by the Port Authorities and partners.

BCMTOA looks forward to partnering with government and stakeholders to action Canada's growth and recovery objectives. If you have any questions, or would like to discuss further, please contact me directly at (604) 379-5339 or sjones@bcmarineterminals.com

Sincerely,

A handwritten signature in black ink, appearing to read 'Stephanie Jones' with a stylized flourish at the end.

Stephanie Jones

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