

# INFRASTRUCTURE CHALLENGES & SOLUTIONS

Presentation to the BC Business Summit 98

Mr. R.V. Wilds, Chair  
Greater Vancouver Gateway Council  
November 9, 1998

Today I will put forward the Gateway Council's ideas for change to address the growing congestion and growing cost of delays to our international trade and tourism industries.

You will have heard from yesterday's session the views of the Vancouver International Airport, BC Trucking Association and Canadian National Railways. These organizations, together with other members of the Gateway Council, have developed agreed upon infrastructure priorities for the Greater Vancouver Gateway and have a number of specific recommendations which we hope you will consider and endorse. In addition, the Gateway Council is in the process of developing a comprehensive action document for the future of the Greater Vancouver Gateway. We expect to complete this document by February 1999. Your interest in, and support for, this initiative would be welcomed.

Before presenting our views on infrastructure and the challenges we face, I would like to take a few moments to acquaint you with the Gateway Council.

The Gateway Council was formed to address common challenges and opportunities. Our membership believes that it is more effective for ports, airport, rail, air and road interests to work together for a common purpose - to make this the Gateway of Choice for North America. This means that shippers and carriers will choose to move their cargo and passengers through this Gateway over competing US West Coast gateways, all things being equal. We are a solution oriented industry organization.

Since the Council was formed, we have established the economic impact of the Gateway, we have defined the competitive position of our gateway with U.S. competition, we have had significant influence on railway taxation, ports legislation and competitiveness. Our reports are widely quoted from; in government and by industry. And, through the Air Focus II and Gateway '97 Fora, we have determined actions we must take, and we are taking these actions, to better serve our customers. Providing the best, most efficient and cost effective services to shippers, carriers, and tourism is our goal.

The Council represents the collective vision of the major transportation interests in this region. It was established in 1994. Our voting members are the CEO's of the Port of Vancouver, Fraser Port, Vancouver International Airport, BC Rail, BC Terminal Operators Association, BC Maritime Employers Association, BC Trucking Association, BC Wharf Operators Association together with senior executives responsible for this region from the two national railways and airlines.

In addition, there are six non-voting resource members from the four western provinces, Transport Canada and the Asia Pacific Foundation of Canada. The federal Minister of Transport is our Honourary Chair. The Greater Vancouver Regional District has been invited to join.

## Greater Vancouver Gateway Council

**Providing the Highest Level of Customer Satisfaction is the Council's Mission**

**Service Quality**



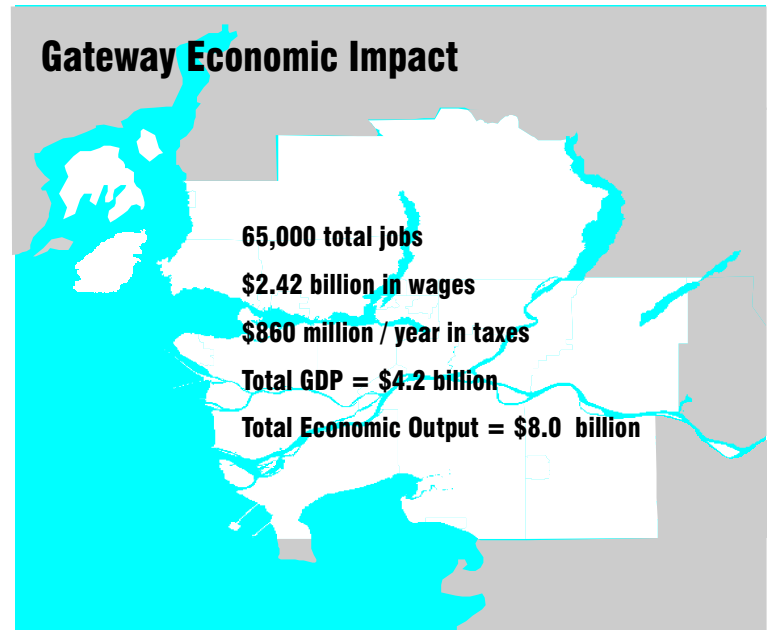
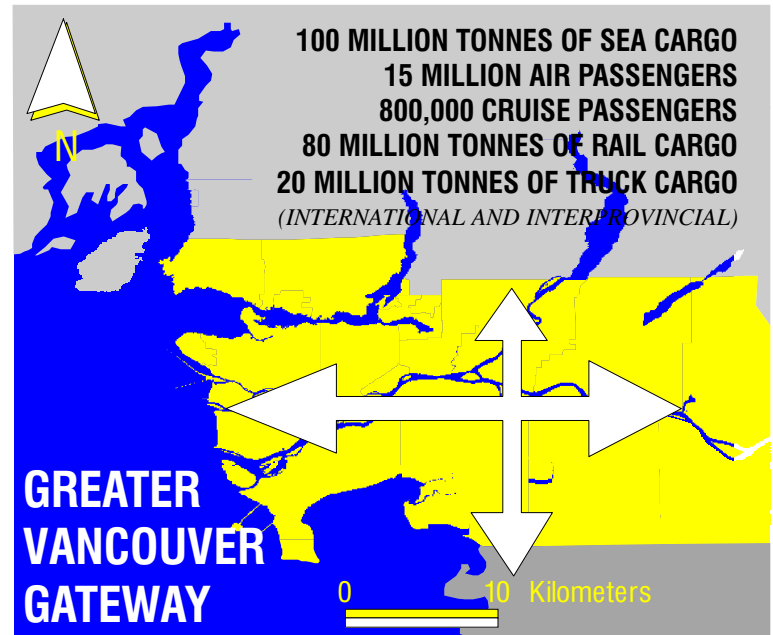
The Gateway is the people, the infrastructure, equipment and services which move cargo and passengers through the Greater Vancouver region. Annually, we move 100 million tonnes of cargo through seaports, 15 million passengers through the airport, and increasing volumes of cruise ship passengers and air cargo. The costs and efficiencies of transportation through this gateway directly affects the competitiveness of our resource and tourism industries in global markets. The Gateway is part of the bed rock of the BC and Canadian economies.

Every time a container ship docks at a Gateway seaport it generates 3.4 person years of employment. Every time a 747 jetliner lands at the airport it generates nearly one full person year of employment. In total the Gateway transportation industry generates 28,000 person years of employment annually. That is more than B.C. mining and fisheries combined, and comparable to logging at 32,000 or agriculture at 29,000. When we add the employment generated indirectly by suppliers to the industry and employment generated when Gateway employees spend their wages in their communities, one job in twelve in Greater Vancouver is dependent on the Gateway. 65,000 person years of employment.

Annually the Gateway industry pays upward of \$860 million in taxes to three levels of government. The Gateway's total GDP exceeds \$4 billion and its total economic output is over \$8 billion, which are significant contributions to the overall economic activity of the Province.

But the real impact of the Gateway is far greater. As I mentioned, Western Canada's export commodity business is directly impacted by the costs and efficiencies of the Gateway. Coal, sulphur, potash, grains, forest products, and other commodities are already under severe competitive pressure in global markets. Western Canada's mines, grain fields and other bulk commodity producers are further from tide water than their competitors in other key producing nations. Transportation is therefore a bigger part of the cost of doing business for Western Canada. And therefore our transportation system must be more efficient than our competitors just to provide the same costs to our shippers. Fully 25% of Canada's entire international maritime trade is handled by the Gateway seaports. The price of imported goods in Toronto, like automobiles from Asia, is directly affected by the Gateway transportation system.

Closer to home, all business in this region relies on the Gateway transportation system to some degree. Whether its to export their products, organize sales missions, en-



sure their retail businesses receive goods from abroad on time, or to provide the best possible experience for international travellers and tourists, the Gateway transportation system affects everyone at this conference.

Which leads me to the main challenges the Gateway Council perceives for infrastructure. In the U.S., governments believe that the transportation system is essential for trade and commerce. In Canada, governments have viewed transportation as a source of tax revenues with little, if any, regard for the economic implications of such policies.

The Governor of California, responding to the growing demand placed on California's seaports in an era of rapidly increasing international trade, recently released the first ever California Maritime Policy to strengthen the State's partnership with the ports to better handle these demands. Under the terms of the Governor's Maritime Policy Executive Order, all state agencies will be required to provide support and assistance to California's large commercial ports.

This order is being given in a State where \$1.9 billion is being spent on the Alameda Corridor in order to consolidate all rail traffic from the ports, and local service from adjacent factories, in the Corridor by the year 2001.

Nearer to home, \$30 billion of the U.S. Transportation Equity Act TEA 21 money, which by the way is discretionary funding open to competition from competing projects, - more on that later - is expected to be spent in the Northwest states on infrastructure and transportation initiatives. In addition, the International Mobility and Trade Corridor bundle of projects, and please note this, the IMTC is being spearheaded by local governments, includes proposals for TEA 21 funding to build a bulk commodity terminal at Cherry Point, near Bellingham. The purpose of this port is to compete directly for Canadian export commodity business now going through this Gateway. Revenue Canada and the Provincial Ministry of Transportation and Highways signed on to this bundle of projects, as has the BC Chamber of Commerce. The Cherry Point project was a late addition to the IMTC process, which was originally intended to improve the road border crossings for tourism and local trade.

In BC, not only is there no program like TEA 21 to draw on, there is no meaningful Federal infrastructure funding - period. As I am sure you are aware, approximately 4% of Federal gasoline tax revenues go towards infrastructure spending. Much different than in the U.S.

However, it is not our purpose to criticize governments,

**POLICIES AND PRIORITIES OF GOVERNMENTS  
TOWARDS TRANSPORTATION**

---

**IN CANADA** 

**TRANSPORTATION IS AN INDUSTRY SECTOR LIKE ANY OTHER  
THEREFORE IT IS A SOURCE OF TAX REVENUES**

**IN THE U.S.** 

**TRANSPORTATION IS ESSENTIAL TO TRADE COMPETITIVENESS  
THEREFORE IT IS IN THE NATIONAL INTEREST TO IMPROVE IT**

**“However, it is not our purpose to criticize governments, we are here today to propose solutions....”**

we are here today to propose solutions. Somehow we must get the message across to politicians that transportation is a key to international competitiveness, that massive investments are needed to compete in world markets and to allow our economy to prosper - which is, I believe, the main purpose of this Business Summit.

In case any one is thinking that we are proposing some kind of Roosevelt New Deal, let me quickly dispel that idea. The Gateway transportation industry has spent over \$1.3 billion on new infrastructure and equipment between 1991 and 1997 and, as I am sure you are aware, equally large private sector investments are either in process or on the books. I refer to developments at Vancouver Wharves, Neptune Terminals, the projected new cruise ship terminal, and other projects on the waterfront, at the airport and by the railways.

But the Gateway transportation industry cannot solve the infrastructure challenge alone. Our seaports and airport are islands of infrastructure connected to the main trade corridors by an increasingly congested public road system.

What is needed is a sea change in governments' policies towards transportation in this great country of ours. Transportation must take its rightful place as a priority for governments as it was when B.C. joined confederation.

We were encouraged by the fact that transportation was one of the two main priorities discussed at the last Western Premiers' meeting.

We were encouraged by then Minister of Transport, Anderson's initiative on transportation, trade and tourism.

We were encouraged by reductions in railway and aviation fuel and property taxes in some Western Provinces over the last number of years.

We are encouraged by dialogue with the BC Transportation Financing Authority on the New Westminster river crossing and South and North Fraser Perimeter Road projects.

We are also encouraged by Minister Collenette's support for the Gateway Council's future vision development process and the request from the Transportation Department for our views on infrastructure priorities in the Gateway.

However, encouraging as these signs may be, there are only signs. Our experience is that although transportation departments at the federal and provincial level support these

**The Gateway Transportation Industry  
has invested over \$1.3 billion  
in new infrastructure and equipment  
since the early 1990's.  
Equally large private sector investments  
are either in process or in the planning stages**

**CHANGE GOVERNMENT THINKING ON TRANSPORTATION**

**Key to international competitiveness  
Facilitator of economic growth**

priorities, finance departments, treasuries, industry and municipal affairs departments generally have not. In addition, municipal politicians in this region seem to rank the transportation of goods and tourists below walking, cycling, and public transit. There is, we believe, a common view among local governments that cargo and tourism transportation is somehow in conflict with the lifestyle and environment which defines this region.

This must change. Business in the Lower Mainland is being slowly strangled by road congestion. We all know this.

In searching for a solution to the policies and priorities of governments in Canada towards transportation, we need look no further than our competitors in Washington State.

In Washington there is wide spread public and business support for transportation improvement. Politicians there have voters on their side when it comes to transportation infrastructure. Last week voters in the State passed Referendum 49 to approve \$2.4 billion in new infrastructure paid for mainly by transfer of car license tax revenues. This budget will allow the State to lever TEA 21 funds for a wide variety of projects aimed at improving cargo and passenger movements together with mass transit. How has this been achieved?

First, there is an integrated approach to public and gateway transportation which does not set one against the other. It is a win-win scenario that politicians have adopted there.

The public understands the need for better transportation and supports it. Business has been vocal on the need for change at the local level. Local governments support it. Lastly, there is a national transportation infrastructure program and a state program to enhance it.

We believe that a made-in-B.C. solution can be found which provides mass transit and gateway traffic efficiencies without damaging the beauty of our surroundings and which actually improves air quality and the environment.

Public education on proposals for infrastructure improvements and renewal is step number 1.

The Gateway Council is developing a comprehensive vision document in action form which includes public education and a set of initiatives to develop a public / private

## **EXPERIENCE IN WASHINGTON STATE**

**PUBLIC UNDERSTANDS THE NEED FOR BETTER TRANSPORTATION AND SUPPORTS NEW SPENDING ON INFRASTRUCTURE**

**VOCAL SUPPORT FROM BUSINESS AT THE LOCAL LEVEL**

**LOCAL GOVERNMENTS IN SUPPORT**

**NATIONAL PROGRAM - STATE PROGRAM ENHANCES IT**

**Public education on proposals for infrastructure improvements and renewal is step number 1.**

sector game plan for infrastructure which the public could support. Our initial work on infrastructure priorities includes the following list.

As you will see from the list, massive investments are required in the public road and transit system over the next number of years.

I should add that at the Provincial level, plans for the South and North Fraser perimeter roads are in development which we are told will alleviate congestion at the Port Mann bridge and so reduce its priority somewhat. We are in discussions with the Province on this issue.

With regard to rapid transit priorities, we believe that the Gateway priorities of a Downtown Vancouver, Airport and beyond rapid transit link must receive a higher priority. Should Vancouver be successful in its Winter Olympic bid, this project would take on an even greater significance.

To sum up on this, local governments, the new GVTA, the Province, and the Federal government must shift their views on gateway transportation. Cargo and tourism transportation must be seen as central to economic health and prosperity. There are ways and means to develop a balanced plan for infrastructure development which the public will support. We must find those ways and means.

But all this will not solve the main challenge. How will these plans be paid for?

The solutions to this again can be found south of the border. In the U.S. tax exempt bonds can be issued to finance new infrastructure over 30 year periods. The TEA 21 monies are in themselves “bondable”. This means that federal contributions to new infrastructure can be used locally to secure the bonds for issuance on gateway projects.

Three years ago the Gateway Council studied this question and found that this form of financing provides, together with a number of other capital recovery cost advantages, a 15% long term cost advantage for US gateways notwithstanding the lower labour costs at our sea ports. With the advent of TEA 21 these advantages will be magnified.

For example, a \$100 million investment in a seaport bulk terminal could receive \$60 million in TEA 21 grants, which would provide a \$4.4 million / year cost advantage over a similar investment in Canada. This does not take into account the additional advantage of tax exempt bond financ-

**First Priority Infrastructure Projects**

**Trans-Canada Highway (Vancouver to Chilliwack)**  
**South Fraser Perimeter Road**  
**North Fraser Perimeter Road**  
**Massey Tunnel on Hwy. 99**  
**Fraser River Rail Crossing**  
**Rapid Transit - Downtown - Airport and beyond**

**Second Priority Projects**


**East/West Connection from Highway 17 to Trans-Canada Highway**  
**Low Level Road-North Shore to Burrard Inlet**  
**Highway 15 from Trans-Canada Highway to Border**  
**New Link-Pacific Border Crossing to Highway 99**  
**Highway 91 from Highway 99 to Trans-Canada Highway**  
**Highway 17 from Tssawwassen Ferry Terminal to Highway 99**  
**Southeast Port Road from Mary Hill Bypass to Queensborough Bridge**  
**Third Crossing Burrard Inlet**

**Third Priority Projects**

**Middle Arm bridge from YVR to Highways 91/99**  
**Pitt River Bridge Rail**  
**Fraser Canyon Rail/Route**  
**Truck-Route Grandview Cut**  
**Bridge from Maple Ridge to Surrey/Langley**  
**New Sea-to-Sky Highway**  
**Improved Transit to Abbotsford Airport**

**WHERE DOES THE MONEY COME FROM?**

**Infrastructure financing approaches in the US can work here**



- Tax Exempt Bonds**
- Innovative Approaches to Road Tolling**
- Public Support = Public Investment**
- Tax Regimes Foster Private Sector Investment**
- Efficient Transportation = More Tax Revenues**
- Effective Partnerships - Business & Governments**

ing for the balance of the investment.

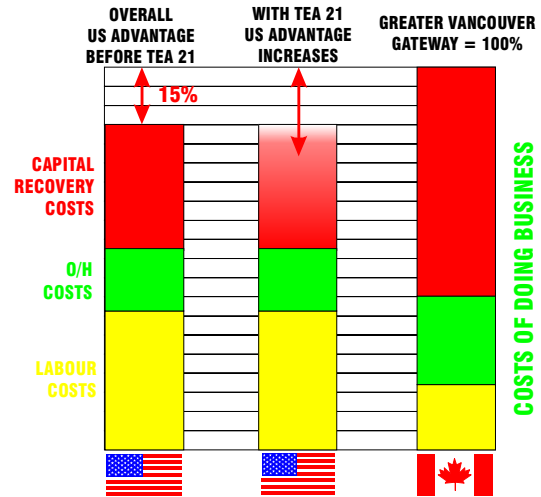
The Gateway Council has made submissions to government on tax exempt bonds and has made specific recommendations on minor changes to the Tax Act which would allow Canada the same advantage. Our submission also showed a 7 to 1 benefit to cost ratio in favour of government taxes collected as a result of increased economic activity spurred by such proposals.

I can report that the policies and priorities of government did not allow these recommendations to receive serious consideration. Essentially, government officials in Treasury Board and Finance saw our representations as a special interest which would open the door for all kinds of other applications. In short they view transportation as an industry sector in its own right which should be taxed in the same way as everyone else. I reiterate, transportation must be viewed as a facilitator of economic growth in trade and tourism. Tax transportation and you tax business at large. Like power and light, transportation is essential for every Canadian business. The support of voters and business for transportation is needed to change this. I hasten to add that we are not proposing we be exempt from taxation. Simply that we must have a fair competitive framework with our U.S. competitors if we are to survive as a Gateway and serve Canadian business.

Tax exempt bond financing is not the only tool the U.S. has to finance infrastructure for the common good. Full use of gasoline taxes for transportation improvements, road tolling linked to traffic volumes, almost zero state taxes on railways allow U.S. rail carriers to invest in new rail infrastructure while our railways struggle under a tax system which adds \$225 million / year to their cost of operations by comparison with the U.S. Port authorities in the U.S. actually levy taxes on local property owners. The U.S. has an integrated approach to public and cargo transportation infrastructure which the public can support. The list goes on. Not content with these existing advantages, the International Mobility and Trade Corridor project in Whatcom County has struck a committee to look at innovative financing over and above these approaches.

To sum up. We propose that the policies and priorities of governments in Canada towards transportation must change. We believe that public support for an integrated, made in B.C. public transportation and cargo movement plan for the Gateway can be developed and that this would

## COST ADVANTAGES US GATEWAYS vs GREATER VANCOUVER



**the Greater Vancouver Gateway must have a Fair Competitive Framework to compete with subsidized US gateways**

## CAPITAL RECOVERY COSTS US GATEWAYS vs GREATER VANCOUVER

U.S. ADVANTAGES		
FINANCING TERM	30 YEARS	10 YEARS
COST OF CAPITAL	TAX EXEMPT BONDS	NO EXEMPTIONS
PROPERTY TAXES	0.25 - 1% FAIR MARKET VALUE	2 - 4% ASSESSED VALUE LAND + IMPROVEMENTS
DIVIDENDS PAID BY PORT AUTHORITY	NONE	FORMULA BASIS
CORPORATION CAPITAL TAX	NONE	0.3% PAID UP PRIVATE CAPITAL
REVENUES COLLECTED FROM TAX LEVIES	\$6 - 35 MILLION / YEAR (VARIES BY PORT)	NO LEVIES
GOVERNMENT INFRASTRUCTURE GRANTS	TEA 21 US \$216 BILLION	NONE

go a long way to solving our common problems.

We propose new ways to finance infrastructure based on long experience in the U.S. As a first step a business / government partnership must be developed to examine and adapt these approaches to the Canadian reality.

Your support for these initiatives to change the views of governments and get B.C. moving again are essential.

Thank you for your consideration.

---

## **INFRASTRUCTURE CHALLENGES & SOLUTIONS Presentation to the BC Business Summit 98**

**November 9, 1998  
by  
Mr. R.V. Wilds, Chair**

### **Greater Vancouver Gateway Council**

Suite 1420 - 1188 West Georgia Street  
Vancouver, British Columbia, Canada, V6E 4A2  
Tel: 604 / 682-5330  
Fax: 604 / 682-0500