

February 8, 2019

Canadian Transportation Agency
269 Main Street
Winnipeg, MB R3C 1B2
Via Email: enquete.ferroviaire-inquiry.rail@otc-cta.gc.ca

Re: BC Chamber of Commerce Submission to CTA Vancouver Freight Rail Investigation

Trade diversification is on the mind of BC business. Our network of over 35,000 members across the province has indicated that sales from outside the province will continue to have a significant impact on their revenues. Our Collective Perspectives survey – an annual economic pulse-check – has found that over one third of business see diversification of markets as essential to increasing their profits.

Our province's economic growth and stability is driven by diverse international investment and our connections with the Pacific Rim markets provide great promise for a vibrant export/import economy that operates for the benefit of all British Columbians.

The BC Chamber of Commerce is writing a submission regarding the Canadian Transportation Agency's investigation into freight rail service issues in the Vancouver area, particularly as it relates to Canadian railway companies. We want to encourage the Agency to take an evidence-based approach, particularly as it relates to the health of the entire supply chain that sustains Canada's Pacific ports, and their competitive situation viz-a-viz west-coast American ports. The Pacific Gateway requires an ongoing injection of investment which is tied to the increasing volume of import/export traffic moving through the ports.

While we support the Agency's regulatory responsibilities to investigate, and remedy potential problems with freight service, we also urge the Agency to be judicious in its approach, and to appreciate the fact that rail companies are one part of a complicated supply chain network that forms Canada's Pacific Gateway. We also urge the CTA to consider the basis of its investigation before commencing a regulatory process which may damage the reputation of Canada's Pacific ports as the reliable gateway of choice for global shippers.

In 2007, the Government of Canada, in cooperation with British Columbia and the three Prairie provinces, developed and embarked upon an ambitious program of capital and legislative infrastructure investments, which resulted in the Asia Pacific Gateway Canada Initiative (APGCI). These investments focused on upgrading the transportation infrastructure linking the "gateway" corridors of Port of Prince Rupert and Lower Mainland regions of British Columbia with the Western Canadian supply chain network, and eventually, the rest of the North American continent.

This was done with the intention of boosting Canada's commerce with the Asia Pacific region and to make Canada's Pacific ports the ports of choice for North American bound container imports from Asia. Canadian port infrastructure needed to be developed to compete with large American Pacific ports –

particularly those in Washington and California – with the goal of increasing its competitive advantage in both efficiency and reliability for all Canadian and North American exports.

This was a lofty goal, and it was driven by over \$1.4 billion in federal funds, which leveraged over \$3.5 billion in total project funding from the Provinces. In turn, these important public investments had a spinoff effect in private investments exceeding \$14 billion. British Columbians benefited from massive infrastructure investments, such as the South Fraser Perimeter Road or the Roberts Bank Rail Corridor.

Stable, sustainable growth in British Columbia depends upon a network of infrastructure that stretches across a vast Canadian supply chain network. In a rapidly changing global economy, these networks are in constant need of renewal.

Canada's Pacific ports are busy – continuing recording setting growth year after year. In 2018, Vancouver Fraser Port Authority had another banner year driven by sector-wide economic growth across Canada and saw increased total cargo volume growth by 4.4%.

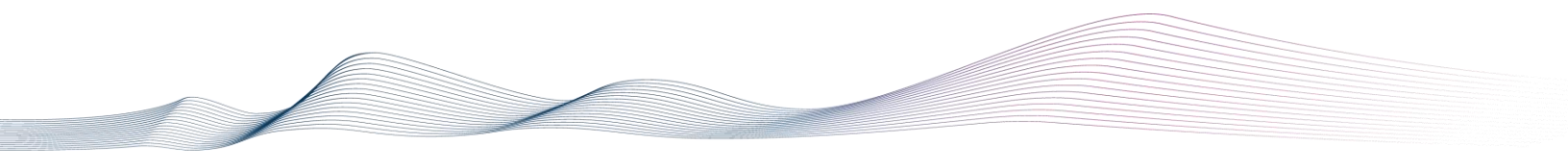
However, while British Columbian port facilities continue to provide an important gateway for impressive Canadian economic growth, it is becoming increasingly clear that infrastructure needs even further development. In 2010, Canada's port infrastructure has slipped from 14th in the World Economic Forum's Global Competitiveness Index in 2010-2011 to 19th place in the 2017-2018 rankings. In that same time period, our continental competitor, the United States, has moved from 23rd to 9th overall.

In many ways, we are a victim of our own success. BC has one of the fastest growing economies in Canada. Indeed, between 2007 and 2017, British Columbia's GDP grew by 54.6% with total GDP growing from \$182.5 billion in 2007 to \$228.2 billion in 2017. It is increasingly clear that changes in the Western Canadian economies have outpaced current infrastructure, and the funds being diverted to improve, and create infrastructure are not enough.

In other words, our Asia Canada Gateway is in danger of being clogged like a drain, and spillages are being felt all the way along the supply infrastructure of Western Canada. If future infrastructure investment is not tied to economic growth and increased trade traffic, Canada is in danger of squandering its continental infrastructure advantage. As products move closer to the Pacific ports, the more backed up the entire network becomes. Shipments move efficiently across the Prairies, but encounter delays, stalls, and reduced storage facilities once they arrive on the west coast, result in shipping delays, increased levies, and increasing wastage. These costs ripple up the entire supply chain and reduce overall productivity throughout Western Canada.

Infrastructure congestion has also resulted in increasing negative impacts and costs for the British Columbian (and Canadian) economy, including:

- Inefficient and ineffective delivery of imports from ship to shelf
- Increased wear and tear on already over-stressed municipal road networks
- Lost time to commuters in vehicles and public transit
- Worsening environmental impacts to air sheds and waterways



- Real threat that the Gateway will no longer be the “gateway of choice” in the Pacific region of North America as shippers lose confidence in our resiliency and ability to fulfill the needs of the supply chain.
- Continued stifling of the immense capacity for Western Canadian economic growth to the point of potential for no real net gains to the economy.

While it is tempting to solve this problem by investigating and addressing specific blockages, the BC Chamber recommends a more holistic approach to addressing problems across the entire infrastructure network and making increasing investment and legislative efforts across Western Canada to energize the entire trade network. The BC Chamber supports the Canadian Chamber of Commerce, whose 2017 infrastructure report identified “insufficient coordination of public-private trade-enabling infrastructure in Canada’s vital Asia-Pacific transportation networks” which affect the capacity and efficiency of the Asia Pacific Gateway Corridor.

The BC Chamber of Commerce recommends a combined approach to accomplish the goal of breathing new life into the Asia Pacific Gateway Corridor: *blending* both the investigative and coordinating powers of provincial and federal governments with the competitive prowess of Canadian business. Certainly, we applaud the federal government’s recent announcement of a National Trade Corridors Fund, which will allocate \$2 billion over 11 years (including \$167 million in 2018 for the Vancouver Fraser Port Authority) to improve infrastructure that facilitates trade, however, this is neither cohesive or comprehensive a funding approach to address systemic issues across the entire trade network.

We also recommend continued efforts to invest in non-capital improvements to renew Gateway. This includes a renewed effort to reduce policy, regulatory, and financial barriers, to improve business environment for trade growth, encourage more interprovincial trade, and to enhance freight operations at key facilities by way of company-level agreements, application of new technology, and establishment of innovative operational practices.

The APGCI is a model of infrastructure investment that worked, and the federal government should continue to use the APGCI to continue to build needed transportation infrastructure in B.C and across western Canada. The BC Chamber recommends the development of a reinvigorated and revitalized APCGI strategy to meet the evolved needs of the Gateway and international trade.

The BC Chamber of Commerce is grateful for the opportunity to participate in this process. Thank you for receiving our comments. Should you or your staff have any questions in the meantime, please do not hesitate to contact either myself at 604-638-8110 or Dan Baxter, Director of Policy Development, Government and Stakeholder Relations at 604-638-8116.

Sincerely,
The British Columbia Chamber of Commerce



Val Litwin
President and CEO

