



January 9, 2011

Cliff: 201178

Ms. Karen V. Gregory
Secretary
Federal Maritime Commission
900 North Capitol Street, N.W.
Washington, DC 20573
U.S.A.

Dear Ms. Gregory:

**Re: Federal Maritime Commission, Docket No. 11-19
Notice of Inquiry; U.S. Inland Containerized Cargo Moving Through
Canadian and Mexican Seaports**

Pursuant to the Notice of Inquiry regarding U.S. Inland Containerized Cargo Moving Through Canadian and Mexican Seaports issued by the Federal Maritime Commission on November 8, 2011, attached please find the comments of the Province of British Columbia.

Thank you for the opportunity to respond to the Federal Maritime Commission's Notice of Inquiry.

Yours truly,

Dave Byng
Chief Operating Officer

Attachment (s)

Ministry of
Transportation

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**BEFORE THE
FEDERAL MARITIME COMMISSION**

DOCKET NO. 11-19

OFFICIAL COMMENTS OF THE GOVERNMENT OF BRITISH COLUMBIA

**NOTICE OF INQUIRY – U.S. INLAND CONTAINERIZED CARGO MOVING
THROUGH CANADIAN AND MEXICAN SEAPORTS**

The Federal Maritime Commission (FMC) issued a Notice of Inquiry (NOI) on November 8th, 2011, seeking “views and information concerning factors that may cause or contribute to the shift of containerized cargo destined for US inland points from US to Canadian or Mexican seaports”. The Government of Canada has submitted a response to the NOI and the Province of British Columbia (BC) would like to take the opportunity to supplement Canada’s submission. BC’s submission will present aspects of the province’s *Pacific Gateway Strategy*, aimed at developing this important transportation gateway, as well as the provincial aspects of the transportation system in Canada and elements of the British Columbia – Washington State trade and transportation relationship.

The Government of British Columbia submits the following comments in response to the FMC’s Notice of Inquiry.

1. INTRODUCTION

Supply chains throughout the world are becoming more sophisticated and responsive to customer needs as shippers carefully consider the most cost effective and timely ways to transport their products and commodities to markets around the world. Canada’s Pacific Gateway is one of several west coast gateways linking Asia with North American consumers of imported goods and North American commodity producers with Asian and world markets. As the westernmost province in Canada, British Columbia is the first port of call for people and goods coming to Canada from Asia.

To take advantage of our geographic proximity to Asia and Canada’s growing economic and cultural ties to the Asia-Pacific region, the Government of BC, like the Government of Canada and governments through North America, has been developing strategies to focus and coordinate development of the various modes of the transportation system. Several of these systems, like our ports and rail, comprise the starting points of a continental supply chain that delivers goods from Asia to consumers in the rest of Canada and the US Midwest. This supply chain also freely transports goods from the US to markets around the world. For instance, significant volumes of thermal coal from the Powder River Basin in Wyoming are shipped through Vancouver and Prince Rupert. Access to Canadian coal terminal capacity has been negotiated in the market place and no levies or extra charges have been applied, even where this usage of Canada’s supply chain reduces the capacity available for our own exporters.

The Government of British Columbia is aware of the vast opportunities that are presented by developing a supply chain that is efficient and competitive. To this end, the Government of British Columbia has engaged Canada, other provinces and its transportation supply chain partners to make Canada's Pacific Gateway a competitive option for shippers seeking access to the North American marketplace.

British Columbia, as well as Washington State, benefits from the close economic, political and cultural ties between Canada and the United States. More than \$19 billion (USD) in two-way merchandise trade crossed the BC-Washington border in 2010.¹ British Columbia and Washington State have heavily trade dependent economies and both have benefitted tremendously from a high level of cooperation on many cross-jurisdictional efforts to contribute to the economic health of both regions.

Some parties in the US have raised concerns that the Canadian supply chain has a competitive advantage because US bound container cargo coming through Canadian ports is not charged the US Harbour Maintenance Tax. The Canadian supply chain members, however, have different costs that are incurred including fuel taxes, port stipends, municipal taxes and dredging that contribute to the cost of goods flowing through Canadian ports. There are many factors shippers take into consideration when choosing a port such as cost, transit time, access to competitive road and rail options, port reliability and congestion, labour stability and proximity to local markets. The North American transportation system is deeply integrated and competitive. BC ports have certain geographical and other advantages that make them a preferred choice for companies bringing their goods into North America and transportation providers in the province are making the most of them. Other west coast ports have different advantages. Integration and competition in the transportation system supports the competitiveness of North America in the global economy to the mutual advantage of both Canada and the United States.

2. GOVERNANCE OF THE BRITISH COLUMBIA TRANSPORTATION SYSTEM

Highways

Canadian provinces are responsible for building, maintaining and operating the highway systems contained within their provincial boundaries. This responsibility was delegated to the provinces in Canada's *Constitution Act of 1867*. In British Columbia, the Ministry of Transportation and Infrastructure is the government agency responsible for the administration of the provincial highway system. Related to the provincial highway system, the ministry develops and implements transportation policies, plans transportation networks, provides transportation services and infrastructure and administers transportation-related acts and regulations. Within this context, the ministry plans and builds highway infrastructure that connects to the many other transportation

¹ Source: Compiled by the Whatcom Council of Governments (from Bureau of Transportation Statistics Transborder Freight Database) draft information for its 2011 Resources Manual.
<http://resources.wcog.org/border/2010manual.pdf>

networks in the province such as port, rail and airport systems in order to enhance the efficiency of goods and people movement throughout BC and beyond through connections to the rest of Canada and North America.

Ports

As outlined in Canada's submission, the main container ports in British Columbia of Vancouver (Vancouver Fraser Port Authority) and Prince Rupert (Prince Rupert Port Authority) are "federally incorporated, autonomous, non-share corporations that operate at arm's length from the federal government". The province has no regulatory or financial oversight of these port authorities. The ports, which are in competition with each other, must fund their operations, including harbour maintenance, entirely from the fees they charge their users (e.g. berthage, container handling, etc.), the lease payments they receive from terminal operators on port land and rent from other tenants. Tenants on port land pay property taxes to the municipalities in which they are located and the port authorities make annual payments to the municipalities (in lieu of property taxes) for any land it owns. The ports also submit an annual gross revenue payment to the federal government. The ports do not have the ability to raise revenue from municipalities.

Although the Government of British Columbia has no regulatory or financial oversight of port authorities, the Ministry of Transportation and Infrastructure does consult with the ports to consider how provincial investments in highway infrastructure can correlate to any increased traffic demands port investment may create.

Rail

As outlined in Canada's submission, the two largest rail companies in Canada, CN and Canadian Pacific, are publically owned (both listed on the TSX and NYSE) commercial businesses operating independently in the competitive North American rail market. Rail rates are set in the market place and any investment decisions made by these companies are made in response to market conditions. As in the United States, the federal government has responsibility for regulatory oversight and policies regarding Class I rail operations in Canada. The Government of British Columbia has no regulatory or financial oversight of interprovincial rail companies. In 2008, the Government of British Columbia implemented a carbon tax that the rail companies pay on any fuel purchased within provincial boundaries (this is in addition to existing excise and federal and provincial sales taxes on fuel). This tax adds to the railways' costs of operations and we are unaware of any kind of similar tax in any of the US states.

As with the ports, the Ministry of Transportation coordinates its highway construction plans with the rail companies in order to lessen or avoid creating road/rail conflicts and to ensure safe and efficient goods movement.

Coordination of Investment decisions

Canada's submission refers to the federal government's *Asia Pacific Gateway Corridor Initiative* as "an integrated set of investment and policy measures focused on enhancing Canada's strategic trade and transportation infrastructure to better accommodate the increasing trade volumes with the Asia-Pacific region". The Government of British Columbia has pursued a complementary provincial initiative – the *Pacific Gateway Strategy* – aimed at engaging other transportation sector stakeholders, such as the ports, airports and rail companies. The Government of British Columbia does this as a means of targeting and coordinating the evaluation and delivery of needed investment and policy decisions from the various sectors and to determine appropriate investment timelines. Government of British Columbia investments have been made to recognize where improved connections to port and rail facilities are needed to support the flow and distribution of goods, mitigate highway congestion and support capacity expansion. This will enable businesses and resource companies in BC and throughout North America to maximize the advantages presented by increased Asia-Pacific trade by ensuring that proper transportation infrastructure is in place to get goods to market.

3. THE BRITISH COLUMBIA – WASHINGTON STATE TRADE AND TRANSPORTATION RELATIONSHIP

Just as Canada and the United States enjoy the most significant bilateral relationship in the world, British Columbia and Washington State also enjoy a strong bilateral trading and transportation partnership. Two-way merchandise trade crossing the border between the two totalled more than \$19 billion (USD) in 2010. Among the US states, Washington ranked first as a destination for British Columbia commodity exports.² At the same time, Canada is Washington State's second most important trading partner, with most of its exports entering Canada through the BC – Washington border.

The four busiest crossings between British Columbia and Washington State (Peace Arch/Douglas, Pacific Highway, Aldergrove/Lynden and Huntingdon/Sumas), collectively called the Cascade Gateway, includes the third busiest passenger vehicle crossing and the fourth busiest commercial crossing on the Canada – US border. The Cascade Gateway is a prominent, international trade and travel connection:

- On average, more than 25,000 cars and 2,700 trucks cross the Cascade Gateway every day, carrying over \$52 million (USD) in daily two-way trade;
- \$19 billion (USD) in two-way merchandise trade was carried by truck and rail across the four crossings in 2010;
- There were 9.4 million two-way auto crossings and 1.0 million two-way truck crossings in 2010;
- 52 percent of people crossing the Cascade Gateway cross at least once a month; and

² Source: BC Stats http://www.bcstats.gov.bc.ca/data/bus_stat/busind/trade/FactWA.pdf

- 24 percent of all travelers cross at least once a week.³

In recognition of the importance of the close ties between British Columbia and Washington State, the two governments have collaborated on many cross-jurisdictional efforts to enhance the continued safe, sustainable and efficient movement of goods and people across the international border and within the region in order to contribute to the economic health of both jurisdictions. The International Mobility & Trade Corridor (IMTC) Project is a US – Canadian coalition of government and business entities that identifies and promotes improvements to mobility and security for the four Cascade Gateway border crossings that connect Whatcom County, Washington State and British Columbia. The goals of the IMTC project are to improve the safety, mobility, and security of the Cascade Gateway. To this end, the following objectives have been identified:

- Facilitate a forum for ongoing communication between agencies responsible for regional, cross-border transportation, safety, and security;
- Coordinate planning of the Cascade Gateway as a transportation and inspection system rather than as individual border crossings;
- Improve and distribute traffic data and information; and,
- Identify and pursue improvements to infrastructure, operations, and information technology.

These mutual efforts that BC and Washington have cooperated on for many years already support the objectives of Prime Minister Harper's and President Obama's *Perimeter Security and Economic Competitiveness Action Plan* to thin the border while maintaining appropriate levels of security. Since 1997, IMTC has coordinated regional and bi-national planning and partnerships advancing projects funded by US and Canadian agencies to pursue the goals listed above. Cumulatively, these improvements are worth over \$38 million (USD). An additional \$5 million of funding directed towards Automated Traveller Information System (ATIS) technology, Free and Secure Trade (FAST) lane improvements and NEXUS lane improvements has been recently announced. Additionally, between 2003 and 2008 the Governments of British Columbia and Canada, with a contribution from Washington State, spent \$343 million on improvements to highway access to the four Cascade border crossings and improvements at the crossing themselves. Between 1998 and 2008, Washington State spent \$131 million (USD) on improvements to its border infrastructure.⁴ These investments highlight the importance both Washington State and the US government place on the bilateral trade and transportation relationship in the Pacific Northwest.

³ Source: Compiled by the Whatcom Council of Governments (from Bureau of Transportation Statistics Transborder Freight Database) draft information for its 2011 Resources Manual.

<http://resources.wcog.org/border/2010manual.pdf>

⁴ Source: Border Policy Research Institute, Western Washington University

http://www.wvu.edu/bpri/files/2008_Nov_Border_Brief.pdf

Since 2005 when a cooperation agreement was signed, British Columbia and Washington State have held five annual joint cabinet level meetings and have reached 28 new agreements covering border management (including development of the first Enhanced Driver's Licences in North America); environment and climate action; tourism, trade and competitiveness; public health, emergency management and education. Key areas of collaboration in transportation are:

- The development of a shared vision for the Pacific Northwest High-Speed Passenger Rail Corridor - Oregon to BC;
- Securing the continued operation of Amtrak's 2nd daily "Cascades" train service between Seattle and Vancouver;
- Support for an international harbour-to-harbour air service between Seattle and Vancouver;
- Efforts to reduce the travel time to, and processing at, the four land Cascade Gateway Border Crossings (e.g. ATIS, FAST, border circulation routes, NEXUS, etc);
- The introduction of commercial vehicle data sharing and provision to commercial vehicles of cross-jurisdiction bypass privileges at specified inspection stations; and,
- Actions to cooperate on new initiatives of bi-national transportation / border interest.

The Ports of Vancouver, Seattle and Tacoma, with support from Environment Canada, the US Environmental Protection Agency, British Columbia Ministry of Environment, the Puget Sound Clean Air Agency and the Washington State Department of Ecology, also developed the Northwest Ports Clean Air Strategy. The strategy includes emission reduction performance goals for port-related sources, and represents a cooperative effort amongst the three ports to improve air quality and reduce contributions to climate change in the shared Georgia Basin-Puget Sound air shed. Most significantly, by recognizing the importance of cooperating on improving environmental quality through this mutual effort, British Columbia and Washington State have agreed to not compete with each other in the area of environmental quality.

In addition, the Governments of British Columbia and Washington State, through the Pacific Coast Collaborative, have supported cooperation on a Green Ports strategy with California and Oregon. The strategy aims to promote cooperation on air quality at the ports; facilitate research, development and innovation; promote innovative air reduction initiatives; and further build on existing collaborative efforts. Recently, the west coast port authorities, provincial and state governments cooperated on supporting the application from the Canadian and US governments to the International Maritime Organization to create an Emission Control Area (ECA) around North America. The ECA comes into effect in 2012.

4. SUMMARY

With this submission, the Government of British Columbia has provided a fact-based overview of British Columbia's transportation system and described the British Columbia/Washington State component of Canada/US trade. The role the Government of British Columbia takes in coordinating

the various investment decisions of its transportation supply chain partners has been described and it has emphasized that the Government of British Columbia has no regulatory or financial oversight of national ports or interprovincial railways. Additionally and perhaps most importantly, the significant level of cooperation and collaboration on transportation related issues between the Governments of British Columbia and Washington State has been described including the contribution these make to the economies of both regions.

The Government of British Columbia supports Canada's submission to the FMC and respectfully recommends that the facts presented in its submission and this one be reflected in the Federal Maritime Commission's final report.