

Submission from David Jones to the Port Modernization Review. December 2018

This is my Submission to Transport Canada for the Port Modernization Review.

My name is David L. Jones, and my contact details are at the end of this Submission

1. Background Information:

Transport Canada is undertaking a review of Canada Port Authorities to optimize their current and future role in the transportation system as innovative assets that support inclusive growth and trade.

“We are initiating a national conversation to seek your views and ideas on how best to position Canada Port Authorities for the future. We want to hear from key partners and stakeholders, including Indigenous groups; provincial and municipal governments; industry; academia and thought leaders; as well as associations/groups that have a particular interest in port issues. To support this work, Transport Canada will work with external experts to conduct research and analysis on various topics.”

2. Scope of the Port Modernization Review

The objectives laid out above are very limited: They seem to be restricted to “optimizing the role of Canada Port Authorities” so as to “support inclusive growth and trade”.

Surely there are other vital issues at stake here, if Port Modernization is actually to be reviewed. Canadian ports are large entities, typically in our largest cities, and are highly visible.

Of course, the Port Authorities play a key role in supporting trade in Canada, but they also impact Canada in a much broader sense, some of it actually negative to the communities in which they operate.

Here are some fundamental questions that need to be addressed:

1. **Is it acceptable to continually increase international trade through Canadian Ports at any cost to the Environment or to the host communities such as Vancouver?**
2. **Who should control Canadian ports such as Vancouver Fraser Port Authority?**
 - **Executives (CEO, etc.) and Board Members appointed by the Federal government in consultation only with business interests?**
 - **(Or) local authorities, representative of local communities, and elected by them.**

Transport Canada gives no weight to such considerations, in that there is no invitation to the general public (in the above description of topics to be reviewed), to voice their concerns in this regard. None whatsoever, incredible.

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It seems that Transport Canada views a Port Authority to be some kind of benign but invisible being, existing in communities across Canada, but having no (negative) impacts on said communities. This is the root of the problems as I see it, and it is a huge problem, make no mistake.

So much so, that I would like to recommend that the current system be dismantled completely, to reflect the needs of the communities in which the Port Authorities operate, as well as supporting trade.

This is not a window dressing that I am recommending, but a complete overhaul. It is a very serious situation, which if it occurred in other countries, (less benign than Canada), might have resulted in public riots before now.

Taken to the extreme, one can visualize the entire Vancouver waterfront, previously famous around the world for its spectacular natural beauty, now being covered in ship docks, warehouse buildings, railway sidings, truck ramps, unloading facilities, container cranes, huge unsightly piles of stored containers up to 30 meters high, etc. This situation already exists on major parts of said waterfront.

So you may gather that I feel the situation needs to be addressed urgently.

In what follows, I will be commenting principally on Vancouver Fraser Port Authority, as this is the only Port Authority with which I am familiar, but possibly other Port Authorities have created similar problems in their communities.

3. Persons addressed by the Port Modernization Review

First, Transport Canada wants to '*initiate a national conversation,*' and then goes on to list the following groups, (that presumably they want to hear from):

- Key partners and stakeholders, including
- Indigenous groups
- Provincial and municipal governments
- Industry
- Academia
- 'Thought leaders', (*whoever that might be!*)
- Associations/groups that have a particular interest in port issues

This list begs the question: Where is the general public included here?

i.e. Does one have to be indigenous, or a member of local government, or to be in a related industry or a member of academia to be listened to on this vital topic?

What about the 95% + of the Canadian public that belongs to none of those groups?

Are they not to be heard?

4. Impact of Port Authorities on communities in which they operate

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Canada's international trade is vital to its economy, no question about it, but the huge amounts of goods now being traded brings its own problems, such as the ever-growing footprint of the Port.

This is a key issue. And it has many sub-issues: e.g. Ownership, Taxes, Environment, Governance, etc.

4.1 Ownership and Governance

VFPA is owned 100 % by the Federal government of Canada. Surely you would think that the local governments would have at least some ownership in such a vital asset, but not so.

Just how this happened is beyond the scope of this submission, but clearly there is a lot of history there.

I would suggest that VFPA now be turned into a local authority which is responsible to the local electorate, as is the case in other ports, e.g. Seattle, Portland, as I understand it.

(We used to have local Harbour authorities, not too far in the distance past.)

As an example of this difference, the above-mentioned U.S. ports have recently voted, (*yes voted*), not to act as coal exporting terminals, for environmental reasons. And to this day, I believe these ports do not handle coal exports, rightly or wrongly. Some people have agitated for similar policies to be implemented here at VFPA, but they have no voice.

4.2 Taxes

The Vancouver Fraser Port Authority is a huge, wealthy organization, sprawling across about 350 km of waterfront all over the Lower Mainland of B.C. In the port's own words:

"...The port authority manages over 16,000 hectares of water, more than 1,000 hectares of land and approximately 350 kilometres of shoreline, bordering 16 municipalities..."

It includes much of the fabulously valuable ocean waterfront around Vancouver, i.e. much of the Fraser river waterfront, and most of the vital inlets around the city, (Burrard Inlet, False Creek, etc.).

This can be seen from the Port's own jurisdictional map:

<https://www.portvancouver.com/port-dashboard/jurisdictional-map/>

Reproduced here for convenience:

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VFPA has an enormous impact on Greater Vancouver, and it is surely one of the biggest landowners in the area. And it controls the most valuable land.

A conservative estimate (mine only!), of its landholding in Greater Vancouver, is about \$500 Billion at current market value. Note VFPA values its own assets at \$1,700 Billion in its latest financial report, so my estimate is probably on the low side.

If this was a private company, there would be public outrage that one company should have such a stranglehold on the city and its surrounding suburbs.... And yet pays no taxes worthy of the name.

This may have made sense when Vancouver was founded in the 19th Century as the Pacific terminus of the CPR, and few people were living there. But this is now 130 years later, and the area is home to over 2 Million people; municipal costs are high and landowners, most of them, have to pay municipal taxes that are very high indeed. The exception is VFPA, *which pays no taxes at all*, just some minute 'grants' in lieu of taxes.

As a result, homeowners in Vancouver pay excessive property taxes, because the major landholder in the city is not paying anything! It is not uncommon these days for ordinary homeowner's taxes to exceed \$10,000 per year, a punitive burden for many people, coming on top of all the other taxes.

This works out to very roughly 0.25 % of the value of the property, being paid per year, for homeowners. Recently this rate has been increased even further, for other reasons not connected with the port, (vacant homes, etc.).

And business taxes are even higher, much higher, than residential taxes

Just out of interest, I calculated what taxes should be paid by VFPA, if it was taxed *as a residence*, using my estimate of the land values:

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\$500 Billion Value X 0.25% per year = **\$1.25 Billion per year.**

Interestingly, this \$1250 Million in lost revenue is more than the existing property tax income for all of the City of Vancouver, \$ 780 Million for 2018.

(And of course if the Port was to be taxed as an ordinary business, it would be much higher than the number shown here)

Doing it another way, assuming it is taxed on VFPA's shoreline at say \$7,000 per linear meter of shoreline, (my guess), the tax burden would be **\$800 Million per year**, which is in the same ballpark as the first estimate.

Actual grants to Lower Mainland municipalities by the Port, in lieu of taxes, (PILT), are about **100 X less than this**, at about \$7 Million per year¹.

There are no private companies in Canada with anything remotely like this kind of ownership in Canadian cities. And I doubt that many other world class cities have one landlord owning so much of the valuable land, operating with impunity, paying no taxes, and immune from most regulatory agencies.

Note 1. From Port of Vancouver 2016 Economic Impact Study, p. vii

Government Tax Revenue Impacts

The Port of Vancouver is also an important generator of taxation revenues to all levels of government. Ongoing activity related to the Port of Vancouver contributes approximately \$1.4 billion annually in tax revenue to all levels of government, including:

- *Federal tax revenue of more than \$860 million.*
- *Provincial tax revenue of approximately \$441 million, of which \$396 million is in British Columbia, over \$17 million in Alberta, close to \$9 million in Manitoba, more than \$8 million in Ontario, approximately \$7 million in Québec and nearly \$4 million in Saskatchewan.*
- *Government revenue in port municipalities totalling \$129 million, of which approximately \$122 million is in property taxes, and close to \$7 million in payments-in-lieu of property taxes (PILT).*

In this regard, it is worth noting that the Port continually claims the credit for all kinds of economic activity, which it has no credibility. Thus it claims (Note 1 above), that it is responsible for billions of tax revenue, but of course none of these taxes are actually paid by the Port, but by its customers, such as shippers, tenants, etc... The only payments the Port make directly are the pitifully small PILT, and a similarly small stipend to its owner, the Federal government.

4.3 Environment and Land Use Regulation

The Port of Vancouver already has a major impact on the Environment, sprawling across hundreds of kilometers of waterfront, but the proposal for a 2nd Container Terminal at Roberts Bank threatens to make this much worse.

This project alone will wipe out a large portion of the remaining wetlands in the Fraser Estuary, home to many species, including fish, birds, mammals, etc. This is critical habitat in particular for shorebirds such as the Western Sandpiper that use the Estuary as a vital stopping-off point on their exhausting journey from Central America to the Arctic, and back, every year.

If this project goes ahead, it will damage the chances of survival of many species

With so much hanging in the balance, you would think that the Port would be subject to rigorous Environmental Regulation, but this is not so.

Incredibly, on many issues the Port apparently has the right to do its own Environmental Assessments, acting as both judge and executioner.

The pristine Vancouver environment has long since disappeared under the industrial onslaught, but what remains in 2018 needs to be preserved.

Submitted by:

David L. Jones

1028 51A Street, Delta, B.C., V4M 2X8

davidl@eastlink.ca

604 943 6406