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## **1.0 Introduction**

West Coast Reduction Limited (“WCRL”) is pleased to present this submission to Transport Canada’s *Ports Modernization Review (“PMR”)* consultation. We look forward to the results of the *Review* - its findings and recommendations – and express our support for Transport Canada’s objective of sustainable and inclusive economic growth through effective governance and innovative operation of Canada’s ports. In addition to the information contained in this submission, WCRL would be pleased to respond to any additional requests for information, data or feedback that may assist in formulating policy that improves the functioning, competitiveness, and responsiveness of Canada’s ports.

## **2.0 About West Coast Reduction Ltd.**

### **2.1 Description**

WCRL is a Vancouver-based marine terminal operator and the largest independent rendering company in Western Canada. The family-owned business provides services to more than 11,000 businesses and industry partners through a network of facilities in Saskatchewan, Alberta and British Columbia (“BC”). Together with its rendering operations, WCRL operates the largest independent tank farm terminal on the West Coast of Canada at the Port of Vancouver, shipping vegetable oil, biodiesel and tallow (rendered fats and oils) through the Asia-Pacific Gateway. Our rendering and terminal operations, at the Port of Vancouver, are highly integrated and commercially and logistically inter-dependent.

### **2.2 Ownership and history**

WCRL is a Canadian, family-owned company, based in Vancouver, B.C. It was founded in 1964 by B.C. business pioneer Jack Diamond and his son, Gordon Diamond. WCRL has over 54 years of experience servicing the agriculture and agri-foods sectors and giving back to the community. The business remains in family hands, run by the third-generation of family members – CEO and President Barry Glotman, son-in-law of Gordon Diamond.

### **2.3 Nature of operations**

WCRL performs two important services for Canada’s agriculture sectors. First, WCRL recycles animal by-products, collecting perishable animal by-products from suppliers and transforming them into valuable commodities. This essential service supports the success of thousands of agriculture and agri-food producers, including family farms and suppliers.

Second, WCRL connects Canadian agriculture, agri-food producers and food processors to international markets. Canola oil, vegetable oil, biodiesel and tallow (rendered fats and oils) are commodities exported through WCRL's 83,000 metric tonne tank farm terminal located at the Port of Vancouver making WCRL integral to the agriculture and agri-food supply chain in Canada.

The combined WCRL enterprise creates business opportunities, employment and income for suppliers in the communities where it operates and meets the needs of international consumers for high-quality Canadian agricultural products.

### **2.3.1 Animal by-product recycling**

It is important to note that every year, Canada's agriculture and agri-foods sector produces more than 5.7 billion pounds of inedible meat, poultry and fish by-products that can be turned into valuable new products through a process called rendering. Rendering is a proven and Canadian Food Inspection Agency-recognized technology<sup>1</sup> with a more than 100-year track-record of safely and effectively recycling perishable animal by-products. The process cooks and dries raw materials at high temperatures to remove bacteria, viruses, protozoa and parasitic organisms. Rendering turns these raw materials into valuable ingredients. Most of the finished products from rendering are used as feedstock for renewable fuels or ingredients used by the feed industry.

Revenue from the sale of animal by-products used in rendering is a key source of income for the agricultural and agri-foods sector. Unlike other alternatives for animal by-product disposal, rendering creates valuable commodities that generate revenue for the agricultural and agri-food sector, including family farms. Without by-product income provided by WCRL, the economic viability of many components of Canada's agriculture and agri-food sector and the sustainability of the food supply system would be at risk.

### **2.3.2 Terminal tank farm operations**

WCRL's Vancouver operations also contain the only independent vegetable oil storage facility located on Canada's west coast. With a capacity to handle approximately one million tonnes annually, the tank farm and handling services provided by WCRL at the Port of Vancouver are an important part of the transportation infrastructure supporting the production and export of canola oil and biodiesel from Alberta and Saskatchewan.

In addition to vegetable oils, WCRL produces and handles rendered fats and oils (as mentioned above) at its Port of Vancouver location. These fats and oils, which historically went to the oleochemical industry, have become a key feedstock in the production of renewable fuels. Over the past five years the demand for fats and oils from the renewable fuel industry has spiked. *Figure 1* below illustrates growing demand

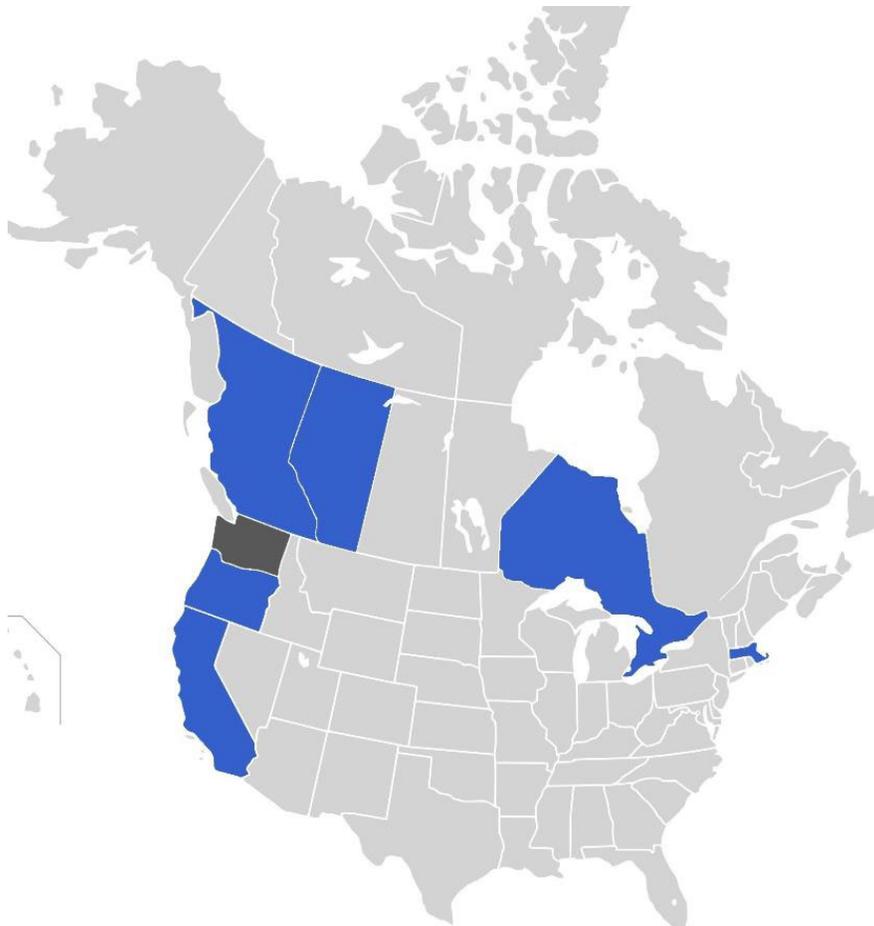
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<sup>1</sup> Inspection.gc.ca., 2012. 'RG-4 Regulatory Guidance: Disposal Of Animals, Their Products Or By-Products Through Commercial Inedible Rendering - Animals - Canadian Food Inspection Agency'. Accessed April 21 2014. <http://www.inspection.gc.ca/animals/feeds/regulatory-guidance/rg-4/eng/1328859578422/1328859655711>

centres in both Canada and the United States for renewable fuel. WCRL currently supplies customers such as British Petroleum, Neste Oil and Chevron with rendered fats and oils from its own production and from other producers in Western Canada and the United States.

WCRL's facility at the Port of Vancouver is strategically positioned to meet this growing demand with the ability to rail-in fats and oils from locations across Western Canada and the United States, a refining facility that allows WCRL to meet technical specifications, and bulk storage and berth access for export through the Gateway. Currently, there are no other facilities on the west coast of North America with the ability to capitalize on this growing opportunity from the renewable fuel industry.

*Figure 1: Growing Demand Centres for Renewable Fuel*



*From bottom-left: Growing demand centres for renewable fuel in North America are: California, Oregon, Washington State, British Columbia, Alberta, Ontario and Massachusetts. Source: Renewable Energy Group, 2018*

WCRL's integration on the Port of Vancouver of fats and oils, rendering and terminal tank farm operations represents a strategic advantage for Canadian shippers and exporters whereby capital and operational costs of facilities at the Port are distributed internally across WCRL. This increases the reliability of operations, centralizes rail service, and reduces costs that would otherwise be borne if any one commodity singularly bore the costs of segregated facilities. In the simplest of terms, the value of the whole of WCRL is far greater than the sum of its parts, making the operations at the Port of Vancouver competitive, and highly resilient and adaptable to changing market conditions.

## **2.4 Economic impact**

Economic output from WCRL operations is approximately \$458 million each year, resulting in an annual contribution of approximately \$225 million in gross domestic product. The company provides 2,264 total full time equivalent positions, directly employs over 415 workers, creates thousands more spin-off jobs, contributes more than \$16 million a year in federal, provincial and local taxes, and makes significant charitable contributions each year.

## **2.5 Sustainability**

The services WCRL provides support the long-term sustainability of Western Canada's agri-food industry and reduce the environmental footprint associated with food production. In addition, WCRL conducts its operations in a socially and environmentally-responsible manner. In recognition of its efforts, the company received the BC Food Processors Association's annual Sustainability Award in 2016.

WCRL's rendering operations provide benefits from an environmental stewardship and impact reduction perspective. Through the rendering process, WCRL contributes to the diversion of animal by-products that would otherwise be sent to a compost, landfill or an incineration facility, while achieving significantly lower or no emissions compared with these alternatives.

The company's rendering operations result in the diversion of approximately 472,000 tonnes (equivalent to one billion pounds) of waste across its facilities in Western Canada, including the diversion of approximately 220,000 tonnes of raw material that is managed through WCRL's Port of Vancouver operation – equal to 59 percent of the total volumes of residential and institutional, commercial and industrial organic waste that was recycled by Metro Vancouver in 2015. WCRL is acknowledged to be an outstanding leader in sustainable port and trade operations at the Port of Vancouver.

WCRL also accounts for annual reductions of approximately 200,000 tonnes of carbon dioxide equivalents (“CO<sub>2</sub>e”) relative to a compost facility, 300,000 tonnes of CO<sub>2</sub>e annually relative to a landfill and 550,000 tonnes of CO<sub>2</sub>e relative to incineration, across comparable life-cycles. Relative to a landfill disposal alternative, WCRL’s Vancouver operations result in over five times less greenhouse gas emissions.

WCRL’s rendering business is in alignment with the following government sustainability initiatives:

- Canadian Government Pan-Canadian Framework on Clean Growth and Climate Change
- City of Vancouver Greenest City Action Plan
- Metro Vancouver Integrated Solid Waste and Resource Management Plan - Organics Ban
- British Columbia Greenhouse Gas Reduction Target Act
- US Environmental Protection Agency’s Food Recovery Hierarchy to best prevent and manage food waste.

## **2.6 Social Responsibility**

In addition to its trade, economic and environmental contributions, WCRL’s operations support a broad range of community and social initiatives. A large share of the company’s support is carried out through the Diamond Foundation, which receives funding from WCRL and other Diamond Family controlled entities. Since its inception in 1982, the Diamond Foundation has donated over \$100 million to various organizations and charities involved in education, healthcare and the arts.

Examples of philanthropic beneficiaries are:

- The Cultch (East Vancouver Cultural Society)
- Kettle Society
- Museum of Tolerance
- VGH & UBC Hospital Foundation
- Canadian Breast Cancer Foundation
- University of British Columbia
- United Way
- Simon Fraser University
- BC Cancer Foundation

### **3.0 Product Value Chains**

WCRL plays a vital role in the shipping of canola oil to international markets, and a growing role in the processing and shipping of animal fats and oils to the renewable fuel industry. The one billion pounds of raw material that WCRL recycles every year through rendering is turned into about 450 million pounds of high-value fats and protein meal products. These fats and meals help produce finished products that are used in a variety of agricultural and industrial applications, many of which are also exported through WCRL facilities at the Port of Vancouver.

The principle commodity value chains that WCRL supports are as follows:

#### **3.1 Canola oil**

Canola – Canadian-grown canola contributes \$26.7 billion to the Canadian economy each year. As the single largest exporter of canola oil in Western Canada, WCRL ships up to \$550 million of canola oil annually – representing over 50 per cent of Canada's canola oil bound for Asia Pacific markets. This supports Canada's annual canola production that totals more than 21 million tonnes<sup>2</sup> – helping make Canada the world's largest producer and exporter of the heart-healthy commodity. In turn, Canada supports the global production of approximately 75 million tonnes of canola.<sup>3</sup>

#### **3.2 Rendered fats and oils**

Fats and oils (tallow) – over 70% of the rendered fats and oils handled by WCRL are used as a feedstock in the production of renewable fuels with the remaining 30% going into the oleochemicals and animal feed industry. These fats and oils are a sought-after commodity worldwide. WCRL ships approximately \$100 million of tallow every year, supporting a \$2.6 billion global tallow market<sup>4</sup>, which is forecast to top \$3 billion by 2024.<sup>5</sup> Tallow production occurs within WCRL's facilities at the Port of Vancouver and is railed from locations across Western Canada and the United States to the Port of Vancouver facility situated strategically at tidewater for handling and export.

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<sup>2</sup> <https://www.canolacouncil.org/>

<sup>3</sup> [https://en.wikipedia.org/wiki/Canola\\_oil](https://en.wikipedia.org/wiki/Canola_oil)

<sup>4</sup> <https://www.businesswire.com/news/home/20171103005767/en/Top-5-Vendors-Tallow-Fatty-Acid-Market>

<sup>5</sup> <https://globenewswire.com/news-release/2017/05/15/984731/0/en/Tallow-Fatty-Acids-Market-worth-over-3bn-by-2024-Global-Market-Insights-Inc.html>

## **4.0 Competition and Productivity**

### **4.1 Independent operations**

As an ‘open shop’, WCRL supplies non-preferential services to a long list of agricultural producers, providing vital support to over 13,000 unique customers in agriculture and agri-food sectors. WCRL works directly with farms and throughout the value chain, including end-users in Canada and overseas. In a national agricultural trade and export market-place where transportation and terminal access is frequently dominated by a small number of large participants, or producers are limited to strict delivery or production contracts tied to prescribed handling and logistics chains, WCRL offers open access – thereby contributing to greater competition among participants in the sector.

### **4.2 Value of integration to supply chains**

WCRL’s rendering and tank farm operations at the Port of Vancouver are closely and strategically integrated, creating efficiencies that are passed on to agricultural producers and customers of value-added products. Tallow created through the process of rendering inedible meat by-products is a key ingredient in renewable fuels as well as other products. WCRL ships this feedstock to major biofuel producers in Asia Pacific markets and to producers on North America’s west coast through the company’s tank farm located on the same six-acre parcel of land as the rendering facilities. This compact and efficient operation provides services to local farms, restaurants and supermarkets, plus income to processors of beef, pork, poultry and fish. WCRL utilizes its strategic position on the port to eliminate inter-facility transportation costs and facilitate the export of many of the products it produces. The shared proximity of its rendering operation and tank farm – both adjacent rail and marine shipping – reduces cost, congestion and the greenhouse gas emissions that would otherwise be required to transport refined products to the tank farm. Whether it is the shipping of canola oil bound for international markets, or its rendering operations, the combination of activities by WCRL contributes to its effective performance and by extension, Canada’s competitiveness across these sectors.

## **5.0 WCRL Alignment with Purpose of Ports Modernization Review**

*Transportation 2030* aims to support trade and economic growth, a cleaner environment, and the wellbeing of the middle class. It recognizes that ports will be a major contributor to this, since they help improve the transportation system and how we get products to market, grow our economy, and build world-class marine corridors that are competitive, safe and environmentally sustainable. Ports are an important part of supply chains and gateways to the world, and WCRL, as a marine terminal operator and vital participant in the agriculture sector, has a direct interest in any change that impacts port supply chains, competitiveness and governance.

WCRL's relationship with the Port of Vancouver and trade and commerce generally makes our objectives synonymous with the foregoing terms of *Transportation 2030* and the PMR Discussion Paper on the following counts:

- (a) WCRL's entire focus is built on creating a business that can compete globally, continue to contribute to the national economy, preserve existing jobs and create new jobs, and facilitate the movement of goods as we seek to expand the business.
- (b) WCRL is a leader in sustainability and sustainable trade; our activities not only benefit the Port, but the surrounding communities and Canada.

We note the PMR's approach to examine the changing landscape under several key "streams". With respect to all streams, it is vital that policy-making position Canadian producers at an advantage when it comes to trade, especially commodity exports. One way to do this is by continuously ensuring that port-related costs remain competitive for operators. To this end, robust oversight of the port-user relationship should be adopted, increasing transparency and accountability placed on matters such as high-and-best land use, and the allocation of port-funded capital expenditures and logistics. In all cases, the broadest set of economic and commercial realities, costs and benefits, must be considered in port decision-making, not just the performance of the respective port.

A critical mechanism by which to address and improve the port-user relationship is reform to governance which is discussed in greater detail below.

## **6.0 Port Governance**

### **6.1 *Does the current governance model enable Canada Port Authorities to effectively manage their assets, support economic development and deliver their regulatory duties?***

Canada Port Authorities generally operate effectively according to the terms established for them consistent with the *Canada Marine Act* and the respective Letters of Patent issued by the Minister. To improve performance where this benefits the economy more broadly, either within the *Act* or Letters of Patent, Canada Port Authorities should be mandated to operate whereby Canada's economic development and the public interest are elevated as the primary goals of planning, asset management and regulatory affairs. In this respect, obligations by which Canada Port Authorities operate should be added to the *Act* or contained in Letters of Patent that spell out that Canada's Port-users, especially those responsible for the nation's domestically-produced exports, are provided a right to Port access and service. Presently, this is not the case and Ports can, either through the non-renewal of leases, unrealistic lease rates or a combination of both, displace a port-user regardless of their importance to the competitiveness or performance of a Canadian commodity or sector, which may be solely dependent on ports to move products to market.

Ports are economic development entities, but not ends unto themselves. Governed effectively, Canada Port Authorities must act as ‘multipliers’ by which the greatest possible economic development and sustainable trade activity is generated from the lands and assets they manage. Securing long term operating certainty and port access for a company like WCRL is critical to the Canadian economy and the regional environment. WCRL operations, conducted on a compact six-acre site at Vancouver Port, must be evaluated according to its economic, trade and community value in comparison to land use for other purposes.

It is reasonable that ports remain competitive in areas such as container handling where they compete with other ports. Nonetheless, limits must be placed on ports when the use of their capital and assets are deployed at the expense of long-standing port users and when those port users are significant, if not proportionally greater, contributors to the national and regional economy, and in the case of metro Vancouver and WCRL, vital to a region’s sustainability.

## **6.2 What models or approaches could be pursued to ensure Canada Port Authorities are more responsive to user and local perspectives?**

Canada Port Authorities will be more responsive to user and local perspectives when some form of independent regulator or oversight mechanism is established. Rail shippers in Canada may obtain relief from monopolistic practices by appealing to the *Canadian Transportation Agency*. No similar agency or set of protections exist for port users like WCRL. With important commodity sectors dependent on the capacity of ports to handle their products and most port users having no alternative than dealings with only one Canadian port, the port environment in which port-users operate is not naturally competitive. As a result, port users, in dealings that address competitive lease rates, lease terms and conditions require mechanisms by which disputes may be resolved fairly and independently of the port itself. This would include mechanisms by which complaints can be made and when disputes are not resolved between a port user and a port, appeals are possible.

Care should be taken in formulating some form of appeal mechanism or agency that it does not become burdensome or prohibitively costly to access.

Additionally, continuous oversight of port management and operations as a regulator might review a utility would ensure that ports are operated in the most cost-effective way and that costs and capital allocations borne by ratepayers and port users are done so transparently and a clear value-for-money proposition is demonstrated.

### **6.3 Do Canada Port Authorities have the tools and partnerships they need to respond to an evolving maritime sector?**

Canada's Port Authorities carry out their function according to the *Canada Marine Act* and their respective Letters of Patent. This does not necessarily make them responsive to the evolving demands of all participants in the maritime trade sector. Those demands are intensified by the competitive pressures of globalization, highly competitive trade dynamics, and affordability and access to land and transportation logistics options. In the case of the Vancouver Port, there is no independent check and assessment of the cost and effectiveness of its operations on the performance of individual port-users who carry-out vital trade functions and largely carry the cost of funding the port. Port users are in a position to judge the impact of port costs and performance on the commodity value chains and markets they are a part of, and should have mechanisms to formally comment on or be consulted about the cost and performance of port operations and services on their specific sector.

Matters like safety and security, real estate management and operations are activities that deliver value directly to port-users. In other cases, such as infrastructure development where ports are developing facilities that in many cases could be developed by other parties at their own cost, should be subject to value-for-money assessments and impact on all port-users.

As a related matter, the Government of Canada should examine the formal separation of various port functions. The combination under 'one roof' of functions such as planning, real estate and land use, permitting and port infrastructure development risks real or perceived conflicts of interest where a port may consecutively plan, permit and develop in its own interest at the cost of established port-users or in cases where established or potentially new port users may have otherwise provided other and potentially competing land use options.

## **7.0 Conclusion**

While the Canada Port Authorities – and the Port of Vancouver specifically – operate effectively as this pertains to the efficient movement of goods, a pressing shortcoming has emerged that relates to governance and accountability: there is currently no independent mechanism to assess the impact of port planning decisions on port users. Additionally, Canada's port authorities operate as de-facto monopolies – creating a conflict of interest whenever a port plans, permits and develops projects in its own interest at the potential expense of its tenants.

Increased oversight is recommended to allow for appeals of port decisions that affect both tenants and, potentially, entire industry sectors. Tenants, and the sectors they support, currently have no recourse when it comes to disagreements with a port – even when the nation’s or a community’s public and economic interests are at stake. Ports have the discretionary power to displace a tenant regardless of their importance to a Canadian commodity or sector, which may be solely dependent on that port and respective facilities to move products to market. This lack of recourse has the potential to hurt the interest of vital Canadian industries who play a key role in supporting the national economy and the environmental sustainability of an entire region.

In conclusion, a mechanism by which oversight may be established is necessary. This mechanism must include an official appeal process, should disputes not be resolved between an established tenant and a port to the satisfaction of both parties. Further, limits should be placed on a port when its long-term planning and lease decision-making come at the expense of port users who play a vital role in supporting Canadian interests.