DATE: Updated September 28, 2016

SUBJECT: Facts regarding the Roberts Bank Terminal 2 Project

Project Overview

The Roberts Bank Terminal 2 Project is a proposed new three-berth container terminal at Roberts Bank in Delta, B.C., on Canada’s west coast. The project would provide 2.4 million 20-foot equivalent unit (TEUs) of container capacity and is needed to meet forecasted demand for trade of goods in containers.

The project is undergoing a federal environmental assessment by an independent review panel, under the Canadian Environmental Assessment Act, 2012. The project is also undergoing an assessment under the British Columbia Environmental Assessment Act and requires other permits and authorizations before it can proceed.

Subject to regulatory approvals and permits, market conditions and a final investment decision, construction of the project would begin in 2018 and would take approximately five-and-a-half years to complete. This would allow the terminal to be operational by the mid-2020s, when its capacity will be required.

Since 2010, the Vancouver Fraser Port Authority has undertaken project development and design work, including a multi-year, multi-phase public consultation process with Aboriginal groups, stakeholders and the public, and initiated project procurement in parallel with the environmental assessment process. As part of these, the port authority has received and responded to a wide range of questions and claims regarding the project, many of them summarized in this briefing note.

Claims and facts

CLAIM: The Roberts Bank Terminal 2 Project is not commercially feasible and there is no business case for the project.

FACTS: The project is commercially viable. As for any infrastructure project of this size, there has been significant work done by the Vancouver Fraser Port Authority to study the economic, engineering and environmental feasibility of the Roberts Bank Terminal 2 Project. The Vancouver Fraser Port Authority has also commissioned independent third-party forecasts, all of which have shown continued growth in container traffic over the long term. As part of the procurement process to select a terminal operator, shortlisted candidates are also undertaking extensive due diligence as part of preparing their proposals. The terminal is being financed privately, and the fact that there has been keen interest on the part of potential terminal builders and operators – including those already operating in the port – is the ultimate confirmation of the project’s commercial feasibility.

CLAIM: The procurement of a terminal operator for the Roberts Bank Terminal 2 Project has unfairly excluded the two existing Vancouver terminal operators.

FACTS: The Vancouver Fraser Port Authority is mandated through the Canada Marine Act to facilitate Canada’s trade objectives. This includes working to ensure that marine transportation services are satisfactory and available at a reasonable and competitive cost to users. We closely monitor market trends and utilize independent experts to help us
determine which infrastructure requirements are needed to help support the Canadian economy. As the Government of Canada implements its infrastructure plan, we are also constantly improving our ability to keep up with market demand.

No one was excluded from the bidding process. However, to maintain a healthy and competitive market for users of the Port of Vancouver over the long-term, the port authority has established a target that a single operator does not hold more than two thirds of total container capacity in the port. Allowing the new terminal to be run by one of the two existing operators without relinquishing some facilities would create a near-monopoly in container terminal services of about 80 per cent, which would be unhealthy for the supply chain marketplace. Typically, ports around the world operate with at least three competitive container terminals, which we agree is best for Canada’s trade competitiveness.

CLAIM: The competition created by a third terminal operator running the Roberts Bank Terminal 2 Project isn’t required at the Port of Vancouver, since local terminal operators already compete against terminals in Prince Rupert and Seattle/Tacoma.

FACTS: The procurement of a new terminal operator at Roberts Bank is consistent with ensuring the gateway provides service to customers at a reasonable cost because it will ensure a healthy and competitive container handling market within the Port of Vancouver for years to come. While there is certainly competition with Seattle and Tacoma for U.S. trade, the vast majority of trade through Canada’s west coast is for Canada. Our forecasts indicate growing trade for both Prince Rupert and Vancouver, with enough volume for all to operate viably. There is also third-party validation of the need for a more competitive environment from others, such as the Chamber of Shipping of BC.

CLAIM: Canadian National Railway (CN) has a monopoly on rail operations at the Port of Vancouver which illustrates the port authority is not concerned about the impact of monopolies.

FACTS: CN and CP both operate competitive rail service from Vancouver to destinations in central and eastern Canada, as well as the American midwest. CP Rail ceded some market share to CN while it underwent a successful restructuring but is now expected to actively target market share recovery as contracts come up for renewal. Their respective share of the container market can and does fluctuate over time, but the fact that Vancouver is served by these two Class 1 railways, as well as the Class 1 Burlington Northern Santa Fe Railway (BNSF), means that cargo owners have competitive options for moving their containers through Vancouver over the long term.

CLAIM: The terminal operator for the Roberts Bank Terminal 2 Project will benefit unfairly from government funding.

FACTS: The Roberts Bank Terminal 2 Project will be funded by the Vancouver Fraser Port Authority and private funding, and does not require government tax dollars. Consistent with existing container terminals within the Port of Vancouver, the terminal operator that is eventually selected to operate the Roberts Bank Terminal 2 Project will enter into a long-term lease to operate the terminal, and will be responsible for meeting rent requirements, financing, installation and operation of all of the on-terminal container handling equipment.

The new terminal entrant is required to make the investments in cargo handling equipment, logistical planning and operations systems, and container interchange facilities to achieve the productivity necessary to capture and retain market share.
CLAIM: Roberts Bank Terminal 2 will put the port authority in competition with private terminals

The Roberts Bank Terminal 2 project proposes for the port authority to finance the construction of the land mass, which will then be a federal asset like existing terminals, while the on-dock equipment (cranes, etc.,) will be the obligation of the terminal operator. That terminal operator will then function just as all other container terminals in the port do today, paying rent to the port authority and marketing itself to customers. Having said that, the projections are for there to be enough business for all, justifying the creation of Terminal 2 and assuring other terminals that its construction does not mean a critical loss of business for Canadian west coast operators.

CLAIM: The port authority has inflated its container traffic projections and underestimated the capacity of existing terminals.

FACTS: The Port of Vancouver is a thriving port with a strong growth outlook as a result of natural geographic advantages and significant infrastructure investments from the public and private sectors. The Vancouver Fraser Port Authority has obtained a series of independent, third-party container forecasts since 2011. Each of these forecasts considers a wide range of economic data, and has provided a continuously updated picture of anticipated growth in container volumes through Canada’s west coast. The most recent forecast, completed by Ocean Shipping Consultants and released in August 2016, reinforces that the west coast of Canada will require an additional container terminal by the mid-2020s.

The maximum capacity of each container terminal is a function of the design and operational efficiency of that terminal, and is provided to the port authority by the terminal operator. The port authority uses practical capacity – calculated as 85 per cent of maximum capacity – to forecast when increased terminal congestion and inefficiency would occur because terminals cannot reasonably operate at 100 per cent capacity for a sustained period, and the annual container trade cycle has peaks and valleys relating to retail and manufacturing seasonal norms. Above this threshold, additional capacity is required to accommodate future growth over the long term.

CLAIM: The recent growth in container volumes through the Port of Vancouver is entirely a result of U.S.-destined containers, which provide no benefit to Vancouver.

FACTS: U.S.-destined containers through the Port of Vancouver amount to about 15 per cent, which is not expected to change. Handling U.S. cargo has similar economic benefit to Canada because it generates revenue, jobs and investment in the gateway, regardless of origin or destination. In addition, all cargo indirectly helps build infrastructure that benefits Canada.

CLAIM: The Port of Vancouver should be following the lead of other successful ports and optimizing existing terminals, instead of building an entirely new container terminal.

FACTS: The Vancouver Fraser Port Authority has been and is currently working with existing container terminal operators to optimize their terminal operations. Examples include $260 million to upgrade Deltaport at Roberts Bank and a $350 million planned expansion to Centerm in the Vancouver harbour. These improvements, some of which are underway, have resulted in significant increases in capacity, and demonstrate the confidence of our
current operators in the ongoing growth forecasts for the Vancouver gateway. However, even once all of these improvements are complete, a new container terminal at Roberts Bank will still be required to meet anticipated growth in container traffic.

CLAIM: Shipping companies will not use two different container terminals that are located adjacent to each other.

FACTS: Vancouver is a common user port, meaning that each of the terminals can be used by any shipping line. These shipping lines currently operate multiple services that call on different terminals within the Port of Vancouver, and make contractual agreements with terminal operators that outline costs and service levels. For example, DP World’s Centerm terminal and GCT’s Vanterm terminal are almost next to each other in the Vancouver harbour, with no apparent impact on their use by shippers. The adjacency of the terminals will mean carriers can benefit from their selected rail carrier’s ability to balance the changing schedules at each terminal. Once the Roberts Bank Terminal 2 Project is operational, shipping lines will continue to use all terminals as required to meet their service needs.

CLAIM: The construction of the Roberts Bank Terminal 2 Project won’t significantly contribute to the economy, particularly in the short term.

FACTS: Over the course of construction – anticipated to require about five-and-a-half years – the project would generate over 4,000 person-years of direct employment, as well as more than 8,000 person years of indirect and induced employment income. These jobs would produce approximately $1 billion in wages and $3.65 billion in economic output, all without the use of tax dollars. However, the true contribution of the Roberts Bank Terminal 2 Project to the Canadian economy would be realized over the coming decades, as the terminal facilitates growing international trade and economic activity, as well as over 12,000 jobs each year.

CLAIM: The construction of the Roberts Bank Terminal 2 Project will certainly result in irreparable damage to the ecosystem at Roberts Bank.

FACTS: As with any large infrastructure project, the Roberts Bank Terminal 2 Project would have effects on the environment in which is located. The port authority has undertaken more than 70 environmental studies over four years, as well as developed proposed measures to avoid, minimize or offset those effects. Based on the results of these studies, the port authority has concluded that the project is not expected to cause significant adverse environmental effects. These conclusions, which are documented in the Environmental Impact Statement, are now being reviewed by an independent review panel and are open for public review and comment.

CLAIM: The Roberts Bank Terminal 2 Project will make it even harder for threatened marine mammals like the Southern Resident Killer Whale to survive.

FACTS: The results of comprehensive studies, conducted over four years, is that the Roberts Bank Terminal 2 Project would not have a significant adverse effect on the southern resident killer whale. Specifically, the project is not anticipated to have an adverse effect on southern resident killer whale critical habitat features when needed for their life functions, such as
feeding and mating, and would not limit the survival or population recovery of southern resident killer whales.

However, due to the endangered status of southern resident killer whale under the Species at Risk Act and a lack of recovery of the population, we have assumed that past projects and activities that have been carried out, including live capture of whales for aquariums and historic pollution, have already had a significant adverse effect. For this reason, we are continuing to work alongside port users, stakeholders, government agencies and environmental organizations to improve our understanding and manage the impact of shipping activities on at-risk whales throughout the southern coast of B.C.

CLAIM: How can we believe the results of the Environmental Impact Statement if it was written by the Vancouver Fraser Port Authority?

FACTS: As the proponent of the Roberts Bank Terminal 2 Project, the Vancouver Fraser Port Authority is required to undertake studies and develop the Environmental Impact Statement. The Environmental Impact Statement includes a list and professional qualifications of the engineers and scientists (biologists, hydrologists, air quality experts, etc.) and others who were involved in its development.

The Environmental Impact Statement is now the subject of a federal environmental assessment by an independent review panel that will assess those studies, among other things. This is the most stringent environmental review process in Canada, and includes multiple opportunities for public comment.