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Monday, April 11, 2005

• (1545)

[English]

The Chair (Mr. John Cannis (Scarborough Centre, Lib.)): I call to order this meeting of the Subcommittee on International Trade, Trade Disputes, and Investment. We'll be discussing today emerging market trade strategy.

Let me begin by welcoming our witnesses. From the Canadian Education Centre Network we have Mr. Gardiner Wilson, director of public policy and research. From the Vancouver Port Authority we have Mr. Gordon Houston, president and chief executive officer, and Mr. Scott Galloway, director, trade development.

Welcome, gentlemen. It's good to have you with us. We look forward to your presentation. Will all three of you be speaking?

Mr. Gardiner Wilson (Director, Public Policy and Research, Canadian Education Centre Network): Two of us will, I believe.

The Chair: Okay. I assume, Mr. Wilson, you'll be starting off. Please work around 10 minutes each, if that's okay. That way we'll have plenty of time for the members of the committee to pose questions.

The floor is yours.

Mr. Gardiner Wilson: I'm going to turn the floor over to my colleague from the Port Authority and let him begin. He's in the speaker's chair.

The Chair: Okay, Mr. Houston.

The floor is yours.

Captain Gordon Houston (President and Chief Executive Officer, Vancouver Port Authority): Thank you very much.

Good afternoon, honourable members. It's a pleasure to be here. I want to thank you for inviting us to speak on behalf of the Port of Vancouver.

The Port of Vancouver is Canada's largest port. It's a gateway through which \$29 billion worth of goods are traded with more than 90 nations each year, and it is a major economic engine that contributes significantly and directly to Canada's economy. In fact, activities of the Port of Vancouver alone are responsible for generating 27,500 direct jobs, \$1.6 billion in direct GDP, and \$3.5 billion in economic output to the Canadian economy.

In recent months I've witnessed an increased level of attention being paid to Canada's ports and their role in the national economy.

It appears that with all levels of government and among key port stakeholders and users, there is a growing recognition that Canada's ports are economic drivers unto themselves.

Admittedly much of this attention is due to the incredible rise of international trade, and specifically China's economic transformation. As you well know, the rise of China's economy has literally transformed world trade. The transformation of China's economy has also placed it on the verge of becoming Canada's largest trans-Pacific market. But at the same time, Canada still only accounts for about 1% of Chinese exports. So this begs the question of what will happen to our already overstretched transportation network if these exports double or even triple. That is something we cannot afford to find out. The time is now to make the changes and investments that will guarantee our ability to meet projected growth.

With this in mind, the Port of Vancouver has worked for years to advocate for changes to the Canada Marine Act. It has therefore been with great appreciation that we've watched in recent months the lead taken by the federal government to amend the Canada Marine Act. It now appears that many of the changes we asked for will indeed take place. This will ensure Canada's ports have access to the capital they need to expand for infrastructure.

Expansion is top of the mind at the Port of Vancouver. At the centre of our expansion efforts is our container development program. This program is a multi-faceted initiative that will provide the infrastructure the port needs to accommodate another three million units. A unit is a twenty-foot equivalent unit, which is how we measure container volumes.

Collectively these container expansion projects will require an investment of more than \$1.4 billion. It is an investment that by 2020 will generate 38,000 new jobs and increase the total capacity of the port to over five million TEUs. But for the Port of Vancouver to truly function as a national and continental gateway, we need more than just expanded infrastructure. We need every process in the chain to be functioning at its optimum level. That's the point I really want to make today.

While the entire port industry commends you for pursuing opportunities to increase trade, we also need to build the capacity before we land the business. It makes no sense for our terminals to scramble to accommodate a greater number of containers or break bulk shipment if we do not have the transportation infrastructure in place to deliver the goods to market. This issue will only become more relevant as the years go by. Shipments of all kinds are on the rise. It's predicted that by 2020 west coast container volumes will triple. Meanwhile, coal shipments are on the rise, and potash shipments are projected to grow by as much as 50% in the next few years.

That is why we desperately need investment in our road and rail infrastructure. The Greater Vancouver Gateway Council has identified road solutions that will accomplish much of what is needed. What we need is the leadership and the political will to make it happen. But we also need to create an environment where our railways are motivated to make strategic investments. Rail is crucial to the ports' ability to meet increased demand.

Right now Canadian rail operators do not function in an environment that is attractive for investment. For example, land taxes on rail in British Columbia are \$10,000 per mile, which is three times what the rail operators are charged in the most expensive state in the United States, which happens to be Washington, our next door neighbour, at \$3,000 per mile.

This is a difficult reality when we're simultaneously facing pressure from our communities demanding railway overpasses to accommodate the projected traffic associated with our expansions in Vancouver. While the port is committed to working with these communities, we cannot do it alone. Government support is required.

I do want to say that we are really thankful to our rail partners who have taken steps to build on an existing capacity through co-production agreements and other programs, but we need more of these initiatives right across the country.

All of our nation's ports, including the port of Vancouver, are a critical component in Canada's economic future. We must do all that we can to facilitate their growth and to make sure that we have the resources, facilities, and systems that will allow us to continue along the path of prosperity. Canadians cannot afford for us to lose sight of any of the far-reaching opportunities that are here now for the taking. The time for action is now to ensure our viability into the future.

Thank you very much.

• (1550)

The Chair: Thank you, Mr. Houston.

We'll go to Mr. Wilson.

Mr. Gardiner Wilson (Director, Public Policy and Research, Canadian Education Centre Network): Thanks very much.

Again, I'd like to thank the members of the committee for taking some time to listen to some presentations from Canada's west coast.

I want to introduce the Canadian Education Centre Network to you. The term "education" is not always thought of as a trade or a trade-related issue, but in fact it surely is. I'll tell you a little bit about

the company, what we do, why we do it, where we do it, and provide some context for you.

The Canadian Education Centre Network is a private, non-profit company, headquartered here in Vancouver, with offices in Toronto and Montreal. We also run 20 overseas offices in the Asia Pacific region, Latin America, and Europe, and we are opening our next overseas office in a couple of months' time in Russia.

We are active in the newly emerging market countries, which the committee and the Department of International Trade have identified. We've been in these countries for almost a decade, so they're not really emerging to us. We're a classic SME in that sense: 80 employees worldwide, with about 25 in Canada and 55 employees working at our offices overseas. We have an annual overall budget of about \$12 million, so we're not very big.

What we do, through our overseas offices, is we market and promote Canada as a study destination for full-fee-paying international students. We manage international education training opportunities and create jobs for Canadian educators abroad, and we have established language schools overseas, offering both French as a second language and English as a second language programs in what we call Canadian Cultural and Language Institutes, thereby profiling Canada and Canada's quality education programs.

Why do we do it? International student recruitment is a huge business internationally. The estimates vary, but a generally accepted figure would be about \$40 billion U.S. is spent every year by students travelling outside their own countries to acquire education abroad. Not enough research has been done in Canada, but we estimate an economic impact in our country of about \$5 billion annually.

The direct economic benefits to the schools concerned—and I've tried to find an Ottawa model for members of the committee. The Ottawa-Carleton School Board is a client of our organization, and they charge fees to international students at about \$10,600 a year. They have about 400 students in their system. You're talking about revenues of \$4.25 million per annum to the Ottawa-Carleton Board. Revenues from international students are an important source of funding for schools, particularly in these days when government support is flat or declining.

There are many other benefits, of course, in the classroom: internationalization, intellectual stimulation for Canadian students, and a growing appreciation of the globalized economy in which we live. But it's on the trade and economic side where we think the benefits are considerable. Having international students in the classroom returning to their home countries helps to create the potential trade partners of tomorrow. Particularly in the Asia Pacific region, but also elsewhere, people do business with people they know. If they've been educated in Canada, as many thousands of these young people are every year, it's a distinct advantage for our country.

International students obviously also help to promote a greater knowledge and awareness of Canada internationally. This pays both trade policy and foreign policy dividends over time. You just have to look at what the Americans have done, for example, through the establishment of the Fulbright scholarships 50 years ago, to get an appreciation of that.

International students are also a potential source of skilled workers for Canadian industry. Industry Canada, a couple of years ago, funded a study that we undertook called, "Strategies to Attract Top International Students and Faculty", written by the CECN, yours truly. The impetus for doing this was because we are running into shortages of skilled workers in this country. International students are looked upon as one possible source of the skilled immigrants of tomorrow. Our colleagues at Immigration Canada are also looking at international students as a potential source of quality immigrants.

But we have to remain competitive. Our major OECD competitors all have strong, nationally supported international student recruitment and education initiatives, i.e. in the U.K., France, Germany, Australia, and New Zealand. This is not just a phenomenon of the so-called developed countries; there is international student recruitment now in countries like Thailand, Malaysia, Singapore, The Netherlands, Ireland, Malta, etc.

• (1555)

We represent 294 schools across Canada, all of which are what we call clients of the CECN. We have schools in all provinces, in both linguistic groups, among universities, community colleges, language training providers, secondary schools, private career colleges—all active in international student recruitment and other forms of international activity. This what we call our domestic network.

Our overseas offices, in 17 countries, act as marketing platforms, provide free counselling to students on Canadian education, give market intelligence on possible opportunities for Canadian schools, organize education trade shows every year—we've done 40 during this past year alone, which helped to promote Canada and Canadian education. That's the overseas network.

As I said earlier, we are active in all three of the emerging market countries you have identified. We've had an office in Brazil since 1998. There's been steady growth in the numbers of young Brazilians coming to Canada and returning to their home country with what we hope is a positive disposition to our country, including to Canadian products and services. We've been in China since 1998, and in India since 1998 as well. As I said earlier, they're not so emerging for us; we've been there for some time.

As for what we would like to see from government—I understand the committee is interested in learning about new policy instruments that might be needed to facilitate business—I guess it's our perspective that it is not necessarily new policy instruments we need, but a policy to begin with. In that connection there are several things, specifically leadership. In the September 1992 throne speech the government stated its intention to "position Canada as a destination of choice for talented foreign students and skilled workers by more aggressively selecting and recruiting through universities and in key embassies abroad". Regrettably, this has not happened. There needs to be a champion at the national level—a minister, a department, a parliamentary secretary, a caucus perhaps such as yours, a caucus group, or standing committee—prepared to provide leadership and direction.

Secondly, we need better coordination at the national end. There are currently international education interests spread through half a dozen government departments in Ottawa, but nobody is pulling it all together. Quite frankly, the split of foreign affairs into Foreign Affairs Canada and International Trade has not helped this situation.

Just as an additional comment, Australia, one of Canada's foremost competitors internationally, organized a whole-of-government approach to international education and brought all government departments together to work closely.

Thirdly, concerning financial support, until two weeks ago our small non-profit company received modest core funding support to run offices overseas and to promote Canada. This funding has now ceased, and in our view this means lost market opportunities for Canada. I say again, all of our competitor countries have nationally organized and funded organizations to market study opportunities in their home countries, which pay, of course, the economic, political, social, and trade benefits I talked about earlier.

Finally, let me make a plea from the CECN that if Canada decides to move in this direction, let's not reinvent the wheel. We already have an organization in place, called the Canadian Education Centre Network, working with 300 clients. We've grown from three to 20 overseas offices and from 70 to 300 clients over the last few years. We're 90% financially self-sufficient. The costs are minimal for us to open overseas—as little as a quarter of a million dollars a year—so let's try to avoid duplication. In addition, leadership coordination would be most welcomed.

Thanks very much.

The Chair: Thank you very much, Mr. Wilson.

Madame Deschamps.

[*Translation*]

Ms. Johanne Deschamps (Laurentides—Labelle): I'd like to focus on the means employed abroad to make information accessible and to promote education.

I recently returned from a trade mission to India where delegates met with young Indian investors who let us know that in their view, Canada wasn't doing enough to promote education.

Indian youth opt to go directly to the United States because it's easier for them. Certain incentives are available to them, specifically low-cost loans. I was very surprised to hear them say that we weren't doing enough to promote Canada's education system and everything that it can offer them.

I'd like to hear your comments on the situation in India.

• (1600)

[English]

The Chair: Mr. Wilson.

Mr. Gardiner Wilson: Are you ready for a short response?

The Chair: The floor is yours, Mr. Wilson.

Mr. Gardiner Wilson: Actually, the CECN does have an office in New Delhi. In fact, it's one of our more active offices. Of course, its role is to get that Canadian message out there, but it is a challenge when you're competing, as we are, against the British Council.

The British Council has an annual budget of about \$700 million a year and 210 overseas offices; there are just huge resources at their fingertips. There's Agence EduFrance. The Government of France realized they had to get out and promote France as an education destination and so committed \$30 million to \$40 million a year to achieve that objective. It's the same for Australia. The U.S. is somewhat of a different model because the U.S. is a natural magnet for people from all over the world, including, certainly, people from India, although, interestingly, the number of Indian students to the U.S. is starting to decline.

We have a very active office in Delhi, but there are only four people. We do try to get the Canadian message out. One of the challenges in the India market is that most Indian students, at least 60%, are looking for scholarships in order to do their overseas studies. Regrettably, in Canada there are very few scholarships available to them, either government-provided or from the individual institutions, so this is a big challenge for us.

The other aspect, I think, related to the numbers from India is quite simply a very rigorous immigration system, which at the moment refuses 70% of all the applicants who apply, so the approval rate out of India currently is about 30%. Accordingly, it's difficult to encourage a Canadian university or community college to market in a country where they know that likely 50% to 70% of their applications are going to be refused.

I submit that if there was perhaps a little bit better coordinated approach at the national level, including the engagement of our friends at CIC, we might have greater success in a country like India. Of course, if there was some kind of national scholarship program that could help to encourage the best and the brightest to come from a country like India, that would help considerably.

The Chair: Madam Jennings.

Hon. Marlene Jennings (Notre-Dame-de-Grâce—Lachine, Lib.): Thank you very much for your presentation.

You mentioned that until last week CECN had received modest government funding, which has now ceased. How much funding was that annually, for how long had CECN been receiving that funding, and from what government department or program were you receiving it?

Mr. Gardiner Wilson: We received core funding support under two contribution agreements. CIDA and Foreign Affairs and International Trade both contributed funding to the CECN, basically to get the organization up and running. The second contribution agreement ran from 2000 till March 31, 2005, which was 10 or 11 days ago, when the agreement came to a conclusion.

The funding from CIDA was a little under \$1 million a year and from Foreign Affairs about \$100,000 a year. Of course, Foreign Affairs also kindly provided some support by allowing the CECN to use offices in Canadian diplomatic missions abroad, but as of March 31 those contribution agreements have been concluded. Of course, we've been required, understandably, to move out of these various Canadian government offices we had occupied rent-free.

The way we look at it is that in many cases we're doing International Trade Canada's work in the sense that we are marketing Canadian educational services. Just as the trade commissioners would be marketing high-technology products, wood products, or natural resources, we are marketing education products. In that sense we would certainly like to see some kind of ongoing engagement by the Government of Canada.

We've had to replace our funding through other sources, and we've been quite successful in doing that, but every time we have to work hard to replace the money that's declining, we're losing opportunities in other countries. We should, for example, be more evident in Europe and parts of the Middle East, etc., but when we concentrate our efforts on replacing the lost funding, it makes it a bit difficult for us.

• (1605)

Hon. Marlene Jennings: Thank you.

This is just to clarify. When you were talking about the British Council, you said it has a budget of over \$700 million?

Mr. Gardiner Wilson: Yes.

Hon. Marlene Jennings: Is that Canadian or U.S.?

Mr. Gardiner Wilson: I think that's Canadian.

I'd be happy to send you a copy of the study I did a couple of years ago, which described the national government support provided to Canada's competitor countries. I studied the U.K., France, Germany, Australia, New Zealand, and one other—six comparator countries, all of which received considerable support, not as subsidy, but basically as funding support to run overseas marketing and promotion offices.

Hon. Marlene Jennings: Thank you.

Are you aware that at some point in our history, not that far back, Canada, through what was the predecessor, I guess, of CIDA, used to provide scholarships to students from the Caribbean—the Caribbean political class—and many of the leaders of the various Caribbean countries were actually educated at our colleges and universities here in Canada? As a result, that has created a whole interrelationship that exists even today.

When you talk about a national scholarship program that would be available for international students, are you referring to something of that nature?

Mr. Gardiner Wilson: Yes, I am. You're quite right to refer to what I think was probably under something called the Colombo Plan, through which Canada provided scholarship support as a development exercise to individuals from what was then called the developing world. What we find in many countries, and India is a particularly good example, is that many bright young people would like to come to Canada, but they don't see the scholarship opportunities there.

What competitor countries have done—and Fulbright in the U.S. is probably a marvellous model of it, but also in Britain something called the Chevening scholarships, and the Australians have the Monash scholarships.... These are used, quite frankly, as marketing tools to raise the level of awareness and interest for students from many of these countries. That's not to say every one of the students would get a scholarship, but at least it's a marketing tool one can use to raise profile.

We've also learned through research that students intending to go overseas to study make their decision on their overseas destination based on their knowledge of the country to begin with. It's not based on the reputation of the institution or the quality of the program or the professor's research agenda; it's based on their knowledge of the country. So it's important to get that Canadian message, that Canadian profile, out there, and one marvellous means of doing it, of course, is to be able to say this year we have 50 or 75 scholarships available to students in India, Malaysia, Vietnam, or China. That helps to get the Canadian message out. We look at it from a marketing perspective.

Hon. Marlene Jennings: Thank you very much, Mr. Wilson.

Now I have a couple of questions for Mr. Houston.

The Chair: Mr. Houston thought we had forgotten him.

We're getting around to you, Mr. Houston.

Captain Gordon Houston: Thank you.

Hon. Marlene Jennings: Mr. Houston, you made some quite eloquent points about the need for increased capacity of our ports, in particular our Vancouver port, and the fact that the Canadian government needs to create a climate or environment that encourages railway investment in infrastructure to increase capacity. You compared the land tax on railways in Canada with that in the United States.

I would like to know at what proportion of capacity our railways are running at this point in time. Once the port, through new infrastructure, is able to increase its capacity, how is that going to impact on our Canadian railways?

●(1610)

Captain Gordon Houston: Thank you very much for the question.

Each railroad is running at a different level of capacity today, and each has a different capacity on very many sectors of their line. The percentage of the capacity currently being used is very high. If we continue to grow at the Port of Vancouver by around 10% for the next three years, and 7% per annum after that, into the foreseeable future, we will be out of capacity, I would imagine, in about four to five years. That is why, for both CN and CP, which service the Port of Vancouver, there are some very urgent infrastructure requirements today. It is, without a doubt, a time in the trade of Canada when we must look to the future and not be bound by what we've done in the past.

The railroads need some very large numbers of infrastructure investment. CP alone needs to put in over \$500 million just to keep pace with the growth of Vancouver in the short term. But they have a request of the government that they be given some form of certainty there will not be competitors running on the rails for which they provide the infrastructure capital. It's one of the requirements of the railroad. It's called "open access", and they would prefer, or certainly hope, that it didn't become policy.

Also, the road network and the rail network are absolutely crucial to how a port operates, so there's no future in increasing capacity of the rail system unless the port system and the road system are similarly increased at the same time. That is where...at the Port of Vancouver, we're talking about \$1.4 billion of investment.

Hon. Marlene Jennings: You've stated that over some years now, the port authorities—not just Vancouver port authorities, but the port authorities across Canada—have recommended changes to the Canada Marine Act, and that you're pleased it appears the federal government is going forward to implement these changes. You mentioned one, which would be the possibility for the port authorities to do capital fundraising. Am I correct? Could you clarify what those changes are, and why those modifications to the Canada Marine Act are so important, and why it needs to happen quickly?

Captain Gordon Houston: Yes, certainly, and thank you.

The Port of Vancouver...the legislation caps our ability to borrow money. Vancouver, up until recently, had a \$200 million limit on its borrowing capacity. It is now just over \$500 million. We've been working for almost two years to get that raised. If we borrow \$500 million, but our infrastructure requirements are \$1.4 billion, there is a clear shortfall.

Vancouver is very well placed and positioned to require this infrastructure, with our growth in the Asia Pacific trade, but we cannot afford to build it. That, obviously, is going to be a bottleneck and a restriction on how Canada's economy, with the international trade, will grow.

Similarly, other ports in the system here on the west coast—Prince Rupert, the Fraser River Port Authority—have very low borrowing limits. Our argument has been why have a borrowing limit at all, because banks will not lend you something you can't pay back.

We also have a need to raise capital in other ways to compete with our American competition. For instance, American ports are very heavily subsidized by their state and federal governments. We don't want to be subsidized, but we also have a section in our act that says ports cannot apply for infrastructure funding. Now, most businesses across Canada can apply for some form of funding mechanism within the Canadian system, but ports are specifically forbidden from doing that. In fact, it's been causing a problem at the port of Prince Rupert; the government agrees it needs to expand, but they can't find a way to help them do it.

These types of things are very important to us in our ability to expand.

• (1615)

Hon. Marlene Jennings: Thank you very much. I appreciate your providing that explanation. I think it makes clear to me and the other members on this committee how you can have policies that, at the time they were adopted, may have made sense, but as society and the economy and the markets evolve, may no longer make sense, and may actually act as a brake on increased economic development.

Thank you.

The Chair: Thank you, Madam Jennings.

Mr. Eyking.

Hon. Mark Eyking (Sydney—Victoria, Lib.): Thank you, Mr. Chairman. I'd like to thank the guests for coming across the water to us. We were hoping to go out and visit you, but this is second best and we appreciate it.

I have a couple of questions. My first one is about our education system and the potential for students coming here. I've been in the Arabian peninsula, and I talked to many people there who received their education in the United States. Because of the complexity for them to be in the United States since September 11, they're looking more to coming to Canada. Also, when I was in India and China, we heard a lot about students coming here.

My two questions are these. Are we adapted culturally, properly, for the students coming here? Should we have some things in place in a better way so that some of these students who are coming here can work here? Should anything be done, such as visas and whatnot, to make it easier for them when they're here?

Mr. Gardiner Wilson: Thank you for that. I think it's fair to say that virtually all of the educational institutions we work with that are active overseas have the right mechanisms and support in place to handle international students. In fact, if they didn't have that support in place, we wouldn't want to work with them.

Quite often we are approached by schools, particularly from the private sector, that say they want to recruit international students. We do a very careful evaluation of those schools to determine that they do have the right supports in place. If it's going to be teenagers 16 to 18 to 19, they're going to be looking for home stay arrangements. The schools have to have ESL or FSL facilities in place. There have to be counsellors who can provide advice on academic programs and related programs. I think it's fair to say that virtually all Canadian schools active internationally in student recruitment and other areas of international education activity have the right supports in place. Otherwise, they wouldn't be successful.

The best form of advertising, of course, is students who go back to Japan, Korea, or Vietnam and say they had a marvellous time. The worst form of advertising is for them to go back and say they had a terrible time, and the schools that we represent are certainly familiar with that.

On the immigration side, we did some research with the Association of Universities and Colleges of Canada five years ago and looked at how Canada compared internationally from a student visa perspective with our competitor countries. I'm rather sad to say that our conclusion was that Canada was at the bottom of the list in terms of welcoming international students to our country. At that point we would not allow them to work off campus. There were some provisions allowing students attending post-secondary institutions to work after graduation.

Over the past five years there have been improvements made. There are a couple of pilot projects in place now, set up by CIC, that do allow off-campus employment by international students. From our narrow perspective at CECN, we look at this as a marketing advantage because the Australians allow it, the New Zealanders allow it, the British allow it, the Americans allow it. If we in Canada can't have these kinds of provisions in place, it makes us a slightly less attractive destination. There are some very preliminary pilots in place, sponsored by CIC, Immigration Canada, to begin to allow this. We hope it will move much more quickly, and we hope it will very soon be nationwide rather than being piloted simply in one or two provinces.

Immigration remains a pretty key part of the whole international marketing effort. I say regularly to anybody who will listen, "You can market and promote until you're blue in the face, but if the student can't get the visa at the end of the day, all your marketing efforts are for naught". For some countries, there are very few immigration problems. For other countries—I mentioned India and places like Vietnam—with 70% to 75% refusal rates, it makes it difficult to attract students or to attract Canadian schools to market in those countries when we have such a high refusal rate by immigration officers.

• (1620)

Hon. Mark Eyking: Thank you.

My next question is for Mr. Houston. It's good to see you here. I had the pleasure of speaking at your annual meeting for the ports of Canada. It was quite an eye opener for me, all the challenges and opportunities.

I have a couple of questions for you, Mr. Houston. The first one has to do with security at the ports. I know there have been a lot of changes since September 11 and after so many instances of people coming in on boats...and there were some mishaps. There was also the meeting with Presidents Fox and Bush and the Prime Minister on North American security.

Has the challenge been very hard for you in the last three or four years? What do you see in the next few years in the sense of the NAFTA agreement?

Captain Gordon Houston: Thank you very much for the questions, and yes, I remember your speech well at our gathering not so long ago.

The security has been quite a challenge for the port of Vancouver, mainly because of the size of the port. Our port has a boundary, on the land, of 233 kilometres. It is a very large port; consequently, we've had some very large expenses. Our program is \$12.8 million to come to the ability to fence off the working part of the port and to work on a security card system for access. We're very fortunate that we've managed to have the Fraser River port next door to us. All our terminals in these two ports use a common card, which has greatly simplified the two systems and the complexity of it. It would have been much more expensive had we gone separately.

I believe that over the next four years our requirements will just get higher and higher. We do know, of course, of the security background checks being proposed by Transport Canada. This, as you're probably aware, has raised some doubt in the minds of some that the depth to which these background checks are going to go will actually be productive. I know amongst the labour organizations, employers' organizations, and certainly the terminal operators themselves, there are some questions as to why such an in-depth process is required.

Hon. Mark Eyking: Just on that, will places like Long Beach have the same criteria to follow as you people?

Captain Gordon Houston: No, they won't. Transport Canada has developed a process it would like to use for the information required to issue a security card. It is actually more rigorous than the one employed in the United States.

Hon. Mark Eyking: Do I get more time?

The Chair: By all means. You have another three minutes.

Hon. Mark Eyking: You mentioned already the increases you expect for trade, especially on the west coast of North America and especially in the amount of trade we're going to have with Southeast Asia. It's just a fact. I know this is a hard question for you, and that you, from Vancouver port, would say the money's best spent in Vancouver, but when you talk about federal funds or any government money going into helping the ports, could we be putting money into other ports across Canada to alleviate some of the stress on the west coast?

I think it was mentioned earlier that Halifax does have potential, even though it's five or six days longer steaming from Southeast Asia—you can get bigger ships through the Suez Canal, and whatnot. From a federal way of looking at it, would that option—increasing or looking at capacity on the east coast—alleviate some of the pressure on the west coast?

Captain Gordon Houston: Obviously if we moved cargo bound for Vancouver through Halifax, it would alleviate some of the pressure on Vancouver, but I believe we have a building program here within Vancouver and on the west coast that will be able to handle the volumes we expect.

I don't believe government subsidies for ports are a good thing, a good suggestion. I believe it should be more of an investment by government within the system. If you change the system to allow any port to apply for the funding, that investment eventually translates itself into jobs, into taxes, etc. The port of Vancouver, we calculated just now, accounts for some 62,000 jobs across the country. After our expansion program, we believe it will rise to over

110,000 jobs, with the consequent benefits in taxation, GDP, etc. So it's really more an investment than a subsidy.

• (1625)

Hon. Mark Eyking: Thank you.

The Chair: Thank you.

Captain Houston, if I may just pick up on your statement about having a building program in place, if I may quote you, is that part of the \$1.4 billion you mentioned earlier that is needed in investments to make sure you're able to handle this capacity?

Captain Gordon Houston: Yes, that's correct. Between 2006 and 2016, in that 10-year period, we're required to put a new piece of infrastructure, or an expansion to existing infrastructure, in place every two years. That is where the \$1.4 billion will be spent.

The Chair: The \$1.4 billion is spread over that period of time?

Captain Gordon Houston: Yes, because we don't want to over-capitalize. We need the volumes to grow in concert with our capitalization.

The Chair: Let me ask, how does the relationship with your provincial counterparts and your municipal counterparts, in terms of cooperation, support, legislatively...? How are you able to function financially? How are you supported? What is the relationship overall, if you can summarize?

Captain Gordon Houston: Our relationship with the provincial government in British Columbia is very good and growing all the time. It put a cap on the mill rate for the waterside terminals within Vancouver to try to cap the tax rate. It is engaged now in something called the B.C. port strategy, which is an attempt to bring some logic to the development. If all the ports develop and put money into capitalization at the same time, then we're in danger of providing too much infrastructure too quickly. We are trying to balance the flow of this.

Within the municipalities, I would say the relationship with the port of Vancouver is growing. There is no doubt it has been less than perfect for many years, but I would say as of the last six months there has been a lot of effort by the municipalities and by ourselves to make sure we have an accord and that we truly understand where each of us is going.

The Chair: You mentioned earlier in your presentation that it costs about \$10,000 per mile on rail in terms of taxes. Can you just break that down for me in terms of what you mean when you say taxes? From what aspect? Taxing in what segment?

Captain Gordon Houston: Yes, certainly. It's purely land tax.

The Chair: Thank you for that.

I have some more time and I'd like to ask a question or two of Mr. Wilson.

Mr. Wilson, just to move to the education side a little bit, if you recall, I think the first trade mission that Prime Minister Chrétien led after the 1993 election included education. I think there was a very proactive movement to promote our education systems here in Canada. I'm disappointed to hear that we have not been as active.

I was in Japan in 1998, and I heard through our mission offices there how they were very actively trying to promote Canada, and of course they brought up some of the obstacles you mentioned—immigration, for example. I want to ask you, how is your work relationship? Is it a good one? Is it improving with respect to our offices abroad where you promote the Canadian education system and recruit students? Are they helpful to you? Is the Canada brand being promoted out there? How are they supporting you?

• (1630)

Mr. Gardiner Wilson: That is a very good question. We work very closely with Foreign Affairs in Ottawa and International Trade Canada in Ottawa, both departments, and of course previously the one combined ministry. ITCan has an education marketing unit within one of its services support divisions and we work very closely with it. The challenge there I think is that there are relatively few people with virtually no money to spend on marketing overseas.

So we certainly have a well-established relationship with the two departments in Ottawa and with other government departments in Ottawa. As I mentioned earlier, there are various departments that have a piece of the international education pie, as it were, immigration on the visa side, Heritage Canada on the linguistic duality side, CIDA on the occasional scholarship side, this kind of thing.

Overseas our CEC offices abroad work extremely closely with the embassies and high commissions. In many of the overseas offices there is something called the post-education committee, which is set up involving the CEC manager. Usually the trade side of the high commission or embassy work together to try to make sure their results are synergistic.

It is a close working relationship, and I think it works very well. I think the challenge is that there simply isn't enough on the resource side to make the impact internationally that we'd like to make.

I mentioned Australia as a major competitor. It has education marketing offices in about 45 overseas countries compared to Canada's 18 or 19, and that's a country only two-thirds the size of Canada, I should add. In Australia, direct education international student revenues are over \$5 billion a year. It's the fourth largest economic services sector in Australia. We think it could be the same in Canada, but again, we do need a little more engagement on the part of those at the national level.

The Chair: May I ask what are the top four countries in recruiting students to their countries? Would it be Australia, the U.S...?

Mr. Gardiner Wilson: Yes. The U.S. is at the top of the list still, although, interestingly, the numbers have declined for the first time this past year, due in large part I think to the events of September 11 and a very much tighter visa regime in the U.S., and also a feeling on the part of some international students that the U.S. is not as welcoming a place as it used to be for the reasons I've just mentioned.

So the U.S. is still at the top of the list. Britain is the second largest overseas destination for students. The British Prime Minister, Tony Blair, several years ago said he wanted 25% of all international students to be in Britain by the year 2005, and he gave \$13 million to the British Council to make it happen, because the British have recognized that training young people in one's own country pays

huge dividends over the longer term on the trade side as well as on the other political, social, cultural, and strategic sides of the equation.

Australia would be third and probably France fourth. Canada is quite far down the list. The number of students coming to Canada every year is anywhere between 60,000 and 100,000, but in a country like Australia it is about 270,000 per year. So it is less than half of what Australia attracts annually.

The Chair: Do you think that France and England, being members of the European Community, are able to attract students from the European Community family, and is that one of the reasons why their numbers are higher?

Mr. Gardiner Wilson: The British numbers I think do include students from the EU, and of course there are various programs within the European Union—the Erasmus program and one other—that do facilitate movement between and among EU countries. But the main thrust of marketing for both the British and, interestingly, the French—in fact the French were beginning to lose students to English-speaking countries prior to the French government's establishment of Agence EduFrance. Most of the British overseas marketing activity is outside the EU.

The Chair: Thank you. If I may just summarize in a word, one of your recommendations would be to invest a few more dollars in terms of supporting or promoting Canada abroad. Am I correct in saying that?

Mr. Gardiner Wilson: You are absolutely correct.

The Chair: Thank you.

Are there any other questions?

Mr. Eyking.

Hon. Mark Eyking: Thank you, Mr. Chair.

My question again is for Mr. Houston. It's about trade.

My understanding is that goods that come into Vancouver versus goods that come into, say, Long Beach.... I think it's a simple enough question. What percentage of the goods that come into Vancouver go to the United States, and vice versa, how many goods go into, say, Long Beach and end up in Canada?

I was just wondering how that whole mix is happening. For instance, the Wal-Marts of the world bring in so many goods. Do they decide to bring them into Vancouver and distribute them, and vice versa? Do you have the numbers on that? I am wondering about our true trade numbers when we say we do \$2 billion worth of trade a day with the U.S.

Are some of those products coming from Asian countries via the U.S.? What are the numbers?

•(1635)

Captain Gordon Houston: I'll let my colleague, Mr. Galloway, answer this question. He has much more detailed knowledge of the precise numbers.

Mr. Scott Galloway (Director, Trade Development, Vancouver Port Authority): Historically, if you look back about 10 years ago, there was a significant amount of Canadian containerized cargo moving through U.S. ports. To a large extent it was the northwest ports of Seattle and Tacoma, but to a lesser extent it was the centres of L.A. and Long Beach.

If you look at all the business that moves to and from the port of Vancouver right now—a couple of years ago I think about 6% to 7% of our containerized cargo was to and from the United States—that number is getting smaller and simply being squeezed out by an increase in Canadian cargo.

Currently there is relatively little containerized cargo moving from southern California ports to and from Canada. There is a little bit, but it is not significant. So it has changed.

Hon. Mark Eyking: We're getting squeezed out because we don't have the capacity, or is it taking longer for goods to travel through there?

Mr. Scott Galloway: We're running out of capacity.

Hon. Mark Eyking: I'm back to my question about being an exporter from China or an importer from North America. Is that a determining factor when they buy goods? The Wal-Marts of the world decide to buy TVs from China for Canada. Do they ship them in through Canada, or do they just ship them in...? Is it the cost? How do they determine that?

Mr. Scott Galloway: I hate to generalize on a relatively complex supply decision, but you're right, Wal-Mart Canada tends to be very supportive of Vancouver. Why? Because logistically, geographically, it works very well. They will only resort to a U.S. port strategy when things start to not go well in Vancouver.

Cost, of course, is a very important component in all this. I'd say importing and exporting goods through Vancouver, if we're talking about containers here, to, say, Wal-Mart in Toronto would probably be more than competitive coming through Vancouver.

Hon. Mark Eyking: I guess it's the same thing for our exporters. Do you very often see them decide, because of the challenges in your port, to ship their products...? Say you had canola oil, or whatever—do they ever decide to ship through Seattle, or other places besides Canada, or is it mostly that our goods go right out of Vancouver?

Mr. Scott Galloway: Vancouver has some general advantages on the bulk side. The infrastructure is here; typically, there's marine infrastructure capacity available on the bulk side. Having said that, the rail component is critical. Exported bulk commodities tend to come from far-off places like Saskatchewan and Alberta, and of course a lot of the coal comes from southeastern British Columbia.

There are two things. They want to maintain those rail cars on a single-line rail service; their second choice would be to route it through the United States. As you're probably aware, Canpotex, the potash exporting marketing arm of the potash producers in Saskatchewan, has a terminal in Vancouver, and they also have a terminal in Portland. They may not admit this, but certainly

Vancouver has its advantages. It's one rail line servicing into the terminal and back to Saskatoon. If they choose to use Portland, they've got two rail lines to use—Canadian Pacific would connect with Union Pacific. Their preference on the bulk commodities, and we're talking commodities, will always be price-sensitive, so they would tend to use Vancouver. We've got a real geographical advantage for Canadian exporters.

•(1640)

The Chair: Thank you, Mr. Eyking.

Captain Houston, Mr. Wilson, or Mr. Galloway, will there be any final comments you might want to add? There don't seem to be any more questions from the members on the panel here. If you have anything to summarize with—a closing statement—you're more than welcome to it.

Captain Gordon Houston: Thank you very much.

I think our international trade is going to continue to grow. We've had an office in Beijing for 10 years, we have a ring of agents around the world, and there's no doubt to us that the business is going to continue to increase. Vancouver is in a position of double jeopardy, because our bulk exports, which were just talked about, are going into the manufacturing plants in the Far East, being turned into consumer goods, and then being returned to us in Vancouver. It's the rail system serving the port that just now is the choke point. It's not the port; it's the rail system, and to a lesser extent, the road system.

Policies allowing the railroads the freedom to expand would greatly assist our network here in Vancouver. It is incomprehensible to us that we would want to see the trade that is growing through Canada limited by regulation or legislation when it could so easily be corrected and allowed to grow on a very determined but well thought out strategy.

The Chair: That is if the federal government, provincial governments, and all authorities involved could get on the same page and look to making those improvements.

Mr. Wilson, do you have any comments, sir?

Mr. Gardiner Wilson: I have a couple of final comments. As I said when I began, often education is not looked upon as a commercial or an economic sector, but our organization was set up to really promote the economic side of it, the trade side of it. Interestingly, in a couple of provinces across the country, education promotion is housed within the economic development ministries. This is the case in Nova Scotia and also in a couple of other provinces.

We feel we have a marvellous product to offer, if I can use that very commercial terminology. The Canadian education system is of high quality, but our challenge is getting that message out there to students around the world, to let them know that we do have this marvellous educational system, that we are a welcoming country. We want the students to come. We want them to enjoy their time here, and, from an economic trade perspective, we look to them to go back to their home countries and become the businessmen and businesswomen of tomorrow, having enjoyed their Canadian experience, and help to contribute to Canadian trade developments with the countries from whence they come.

Thank you.

The Chair: I couldn't agree with you more, Mr. Wilson. You've enticed me to respond that I, for one, firmly believe that education is indeed an economic generator. The proof is in the pudding. I can tell

you one obstacle that we had to overcome with the first trade mission back in 1994 was the criticism of why the education system needs to be on the trade mission. Of course, here we are, and you've pointed out some data. Somehow we have to convince Canadians, I believe, that indeed it is multidimensional, and one of them is an economic generator.

With that, let me thank you all, gentlemen, for some wonderful comments. Certainly, there's great expansion out there in Vancouver with the port authority. Education covers the entire country. I want to thank you for your time and your input, on behalf of my colleagues, and certainly we look forward to engaging again in the future.

Thank you very, very much.

We'll adjourn for now.

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