

**PRE-BUDGET CONSULTATION BRIEF
TO THE GOVERNMENT OF CANADA'S
STANDING COMMITTEE ON FINANCE**

Submitted by the Prince Rupert Port Authority

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EXECUTIVE SUMMARY

The Port of Prince Rupert, as a port integral to Canadian commerce in the Asia-Pacific region, has an immediate opportunity to expand through developing new export capacities serving Asian markets for Canada's key resource sectors and facilitating growth in trade in the Asia Pacific Region.

Implementation of a ten-year development plan for the port terminals and facilities could see the tripling of the Port of Prince Rupert and the creation of nearly 70 million tonnes of new trade capacity. The construction and operations of these new terminals will have profound economic impacts at the regional, First Nations, provincial and national levels. More importantly, these capacities will enable Canada's key resource sectors to expand with market access unimpeded by gateway capacity constraints.

The key to unlocking this opportunity is the continued investment by the Government of Canada in gateway infrastructure essential to enabling growth in trade. The Prince Rupert Port Authority encourages the Standing Committee on Finance to re-affirm its commitment to the Asia Pacific Gateway and Corridor Initiative in the upcoming budget.

BACKGROUND

The Port of Prince Rupert was first built in the early 20th century to connect the Grand Trunk Pacific (GTP) Railway from Winnipeg to Prince Rupert, connecting railways to the Atlantic Ocean with the Pacific Ocean. In 1972, the Port of Prince Rupert was declared a National Harbour and in 1975, construction of its first terminal, Fairview Terminal, was completed. In the last decade the port has developed with the modern economy, developing a successful cruise ship terminal at the cruise ship terminal on the downtown waterfront. The terminal has grown rapidly despite

the global recession and was recognized as the fastest-growing container terminal in North America in 2010.

Today, the Port of Prince Rupert serves as the North American entry point for the North West Transportation Corridor which extends to Central Canada, Chicago and beyond to Memphis, connecting central North America populations to the rapidly-growing Asian economies. The Port has the strategic advantages of being the closest North American port to Asia by up to three days, and the deepest natural harbor in North America.

Prince Rupert is a key component of Canada's Asia Pacific Gateway and Corridor strategy. The province of B.C. has also launched its own Gateway Program to capture opportunities in the Asia-Pacific region. Its mandate of enhancing strategy and infrastructure reinforces that Prince Rupert will play an increasingly significant role at a provincial, national, and global level.

With container volume projections from Asia to North America to increase by 300 percent by 2020, the Port of Prince Rupert is ideally positioned to meet this demand. The Port has 1,000 acres of contiguous waterfront land on Ridley Island and adjacent Porpoise Harbour and South Kaien, Coast, and Lelu Islands earmarked for development. Further, commencement of the Phase II Expansion of the Fairview Container Terminal is anticipated within the next 12 months.

EXPANSION

The Port of Prince Rupert has been making a dramatic transition from a regional export gateway for raw materials such as minerals, agricultural products, and forest products to a gateway anchoring a strategic, integrated trans-Pacific trade corridor. The development of the container gateway has been a compliment to the existing bulk terminals in Prince Rupert and has positioned Prince Rupert as an attractive investment opportunity for service providers complimenting the new container gateway—and for unrelated industrial and terminal developments seeking to benefit from the same strategic advantages Prince Rupert brought to the Trans-Pacific container trade.

The profile gained worldwide through the successful opening of the Fairview Container Terminal has launched Prince Rupert into the spotlight as the most strategic port development opportunity on the Pacific Rim.

The Port of Prince Rupert has a real and immediate opportunity to facilitate the development of new export capacities, targeting the Asia Pacific region for bulk commodities such as iron ore, potash, mineral concentrates, and bulk liquids such as vegetable oils and petroleum products, along with import capacities to accommodate inbound Project Cargo and automobiles. In addition, the growing container traffic and terminal capacities are driving new opportunities for

export and import logistics services such as container stuffing and reload, cold storage, trans-load and short sea shipping providing greater connectivity for North American shippers and Canada's first truly value-added gateway.

The Port Authority has developed a ten-year expansion plan.

Phase II expansion of the Prince Rupert Container Terminal is expected to quadruple the terminal's capacity to two million TEUs. The Port Authority is also in the design stages of a second container terminal, which upon completion is expected to potentially increase the Port of Prince Rupert's total container throughput from 265,000 TEUs in 2009 up to five million TEUs by 2020.

Ridley Terminals Inc. (RTI), a federal crown corporation operating an advanced coal and unload facility on Ridley Island, has begun a major expansion to its existing facilities. A proposed second phase of development could increase RTI's annual capacity to 40 million tonnes of metallurgical and thermal coal, petroleum coke, wood pellets.

Further, the Ridley Island Industrial Development Site has 1,000 acres slated for development in eight different land use zones. These include:

- an 80-acre bulk terminal with a capacity for 5 million tonnes of potash throughput annually
- an import and export logistics parks offering access to both rail lines and marine terminal
- a barge and short-sea shipping terminal to allow for coastal trade
- an automobile/ro-ro terminal with space for parking up to 1,000 vehicles at a time
- a 150-acre general cargoes terminal
- a 100-acre bulk terminal intended to handle dry bulk cargo such as potash, concentrates, wood pellets, iron ore, cement, and aggregates
- a liquid bulk terminal, comprised of a 100-acre tank farm that handles both import and export liquid bulk goods such as oil trans-shipment, agri oils, caustic soda, ethanol or bunker fuel
- 50-100 acres of industrial lands which are fully serviced and have access to rail and road connections

DOMESTIC BENEFITS

Based on best case estimated employment, the potential direct economic impact of PRPA's planned developments constitute some 4,700 person years of employment—resulting in \$310 million in wages, \$480 million in GDP, and \$1,230 million in economic output. The total potential operational economic impacts, including indirect and induced impacts, would be 10,800 person years, \$740 million in wages, \$1,040 million in GDP, and \$2,560 million in economic output across British Columbia.

The potential tax impacts associated with the maximum operational employment generated by the Ridley Island Industrial Development Site is estimated to be \$126 million to all levels of government, including federal tax revenue of \$81 million; British Columbia tax revenue of approximately \$31 million; and local government revenue of over \$14 million in property taxes.

BUILDING CANADA'S PACIFIC GATEWAY

The Asia Pacific Gateway and Corridor Initiative (APGCI) is a network of transportation infrastructure including British Columbia's Lower Mainland and Prince Rupert ports, their principal road and rail connections stretching across western Canada and south to the United States, key border crossings and major Canadian airports.

The APGCI builds directly on years of work by private-sector stakeholders, with significant leadership and investments provided by the Government of Canada and the Province of British Columbia.

In order to embrace time-sensitive growth opportunities and economic benefits through commerce in Canada's Asia-Pacific Gateway Corridor, expansion of APGC export terminal capacity is critical in bulk shipping. Current terminals on the North American West Coast are near capacity and require additional capacity to facilitate mine expansions. Further liquid export terminal capacity is required to develop access markets.

In Canada's resource sector, substantial private investments are planned, with respect to extraction and processing of oil and gas; coals, minerals and metals; potash and forest products/bio fuels.

Over \$13 billion of private investments in Canada's coal and potash industries are dependent on additional export terminal capacity. Global demand for metallurgical coal remains strong, driven by growth in China and India. Anticipated long-term demand—up to a sevenfold increase in exports to China during the next ten years—drives the need for additional coal export terminal capacity in order for Canada to maintain its position as the world's third-largest coal exporter.

The global demand for potash—a market where Canada supplies approximately 50% of world potash demand—remains strong. This commodity is linked to Asian economic and population growth, and is expected to experience a twofold increase in China alone during the next decade.

Further, the rapid increase of urbanization in China and India is driving demand for the export of containerized consumer goods from North America. By 2025, over 70% of Chinese will live in cities with more than 1 million people. The increase in consumer affluence in Asia and sustained

growth of China's gross domestic product have established a vibrant market for North American exports.

The Port of Prince Rupert's container terminal expansion and Ridley Island developments represent a strategic opportunity for Canada's APGC by increasing container throughput, coal handling capacity, building a new potash export terminal, providing capacity for liquids export, and supporting continued growth in intermodal shipping.

INVESTING IN GROWTH

Continued investment by the Government of Canada in the Port of Prince Rupert is essential to unlocking the opportunities represented by the growth of Asian markets and the steadily-increasing output of the North American resource sector.

Specifically, sustained infrastructure investments will ensure the Port continues to serve its integral role in Canada's Asia Pacific Gateway and Corridor Initiative. Continued and increased support of APGCI strategic planning and marketing initiatives will enable this Canadian "success story" to generate a ripple effect around the globe.

The ongoing commitment of the Government of Canada to the growth of commerce in the Asia-Pacific region will continue to reap domestic benefits and guarantee Canada's place as a vital economic player in international trade.