



March 15, 2013

VIA EMAIL - [mayorandcouncil@vancouver.ca](mailto:mayorandcouncil@vancouver.ca)

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Mayor and Council  
City of Vancouver  
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**Re: Motion B.9 Coal Export Expansion**

Dear Mayor Robertson and Council Members,

Thank you for the opportunity to address this Motion on March 13, 2013. We appreciate the time Council took to hear from a variety of stakeholders and citizens.

The Business Council is disappointed that a majority of Vancouver Council voted to adopt the motion on March 13. In the remainder of this submission, we outline the views summarized during our appearance before City Council's Transportation, Planning and Environment Committee.

By way of background, the Business Council of British Columbia has been around for more than 45 years and was, interestingly, formed in part to deal with Port-related issues. Since that time the Business Council has evolved to represent over 250 companies and organizations in BC – spanning all economic sectors, and including the province's leading academic institutions. Our primary role is to provide advocacy and policy advice to help create and sustain a prosperous province, built on the foundation of a healthy economy and a high standard of living. We work collaboratively with governments, our members, and other groups on a wide variety of public policy and business issues, including those concerning natural resource development, infrastructure policy, trade and market access, and the environment.

While the Business Council does not normally address municipal Motions, we feel an obligation to our members and to the province to speak to certain aspects of Motion 9 that we find problematic.

Before turning to these concerns, we offer a few general observations about the broad topic of natural resource development and the infrastructure required to bring goods from BC and other Western Canadian provinces to market.

For some time, the Business Council has been a strong advocate for a Pacific Gateway strategy that enables the development of Canadian and North American trade with commercial partners in Asia. And on many levels this has been a success story. There is no question that British Columbia and Metro Vancouver have weathered the global economic storms of recent years better than



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most other North American jurisdictions. In part, this is due to our evolving trade linkages with Asia, including sustained growth in exports of BC commodity based products to that region. Indeed, over the past five years, British Columbia's exports to Pacific Rim economies have expanded to the point where they now approximately equal, in dollar terms, our shipments to the United States, which remains our biggest market. This trade diversification has been helpful in supporting jobs and sustaining economic activity in the province. And Port Metro Vancouver (PMV) has been a key part of this export success story.

A recent study examining PMV's economic impact found that 47,700 jobs in BC are directly related to the Port's activities. And if the indirect linkages are included, the Port supports over 106,000 jobs.<sup>1</sup> While direct Port jobs are found right across the Metro region, the City of Vancouver is by far the largest beneficiary of the economic activity that the Port generates (18,300 jobs in Vancouver, with Richmond being the second largest beneficiary with 5,700 direct jobs). In the light of this, we find it strange that Vancouver City Council would espouse a policy that is directly at odds with the future growth and continued commercial success of PMV.

It is important to recognize that Port Metro Vancouver is not simply or even mainly a local infrastructure asset. It is Canada's largest port, a vital national trade gateway that facilitates commerce and enables global market access for industries from all across Western Canada. The Port is Canada's window on the Asia Pacific, a region that's expected to account for at least half of global economic output and consumption by 2025. The federal and provincial governments, along with the private sector, have made substantial investments to improve efficiencies, support growth, and manage the external impacts of activity at the Port.

Municipal officials in the lower mainland, including those in Vancouver, need to recognize that there is a compelling **national and provincial interest** in ensuring the integrity and commercial viability of PMV, and of the Greater Vancouver Gateway of which it is a central part. The important role of the Port within the national and provincial economies is a reason why local governments in Canada don't exercise primary jurisdiction over critical transportation infrastructure such as ports, airports, and railways.

We believe it is also important to understand coal's contribution to BC's economy. Annual coal production in BC exceeds 26 million tonnes. In terms of value, in recent years coal has been BC's largest single export product. In 2011, \$7.1 billion worth of coal was shipped from BC, which was 22% of all provincial international merchandise exports. Last year BC shipped \$5.7 billion in coal (18% of all exports). It should also be noted that upwards of 70% of all BC's coal production is metallurgical coal, which is used in steel making. Metallurgical coal has particular properties used in the production of steel.

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<sup>1</sup> "2008 Port Metro Vancouver Economic Impact Study," InterVISTAS Consulting Inc. (January 2009).

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### **The Motion**

Turning specifically to the Motion B.9, we would offer the following observations for Council's consideration.

First, while the Business Council is broadly supportive of science-based initiatives to regulate air quality and manage the impact of development, we believe it's the wrong approach to simply try to stop expansion projects with calls for studies when the current body of evidence does not indicate there is a significant problem.

As Council is aware, air quality in the Lower Mainland has been improving for many years. A few years ago, the Business Council reviewed ambient air quality improvements in the region, utilizing data from Metro Vancouver.<sup>2</sup> We also discussed some of the reasons why air quality is expected to continue to improve going forward. The good news about air quality in Metro Vancouver needs to be recognized by municipal officials across the region.

This is not to suggest that additional health and environmental studies relating to the growth of activity attributable to PMV will never be warranted. But given the existing evidence, we suggest that Council adopt a more constructive approach, and work with the coal sector and the Port to examine potential issues around coal dust, if any, and how to best mitigate any impacts, versus simply calling for a halt to shipping. The industry continues proactively to address issues arising from the movement of coal. For example, BNSF has found that the application of a topper agent or surfactant to the surface of a loaded coal rail car effectively mitigates the loss of coal dust during transit.<sup>3</sup> Dust suppression systems have also been implemented at terminal sites. Neptune Terminals, for example, has installed spray systems to keep the coal in the storage area damp. It also employs a water spray truck for perimeter dust control. All water used on the dry bulk system is treated before entering the Metro Vancouver sewer system.

Second, we have concerns about linking exports of coal (thermal or metallurgical), or indeed any commodity, to provincial and local climate change (GHG reduction) targets. The targets established by provincial and local governments, such as Vancouver's 33% reduction target, are specifically tied to the climate footprint inside the jurisdiction. The extension, as implied in this motion, to have export products considered within the context of domestic climate change programs is extremely problematic – particularly for a small, trade-dependent economy like BC. This is a subject the Business Council has explored in some depth. It is important to note that other jurisdictions, for example in Europe, have taken steps to protect the competitive position of their export sectors when establishing greenhouse gas management goals and related regulatory regimes.

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<sup>2</sup> Business Council of BC, "[Good and Getting Better: Air Quality in the Lower Mainland](#)," (May 2008).

<sup>3</sup> See BNSF website: <http://www.bnsf.com/customers/what-can-i-ship/coal/coal-dust.html>

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We believe it is necessary to acknowledge that if Port Metro Vancouver does not expand its coal-handling capacity, Alberta and BC coal will be shipped to destination markets via other port facilities (in the US or through Prince Rupert). By the same token, if Canada or BC were to decide to get out of the coal production business altogether, as some activists appear to advocate, we can be certain that the customers who traditionally have been buyers of Canadian/BC coal will have no trouble finding other suppliers. It is hard to see how the world would benefit from shrinking coal production here in BC. And for British Columbians, there is nothing to be gained by denying ourselves the ability to produce and market a product in which we clearly have a global comparative advantage.

To be clear, the Business Council recognizes the climate change challenges posed by thermal coal (BC's coal is primarily metallurgical), and we support an effective carbon pricing regime as part of a comprehensive effort to address climate change. However well-intentioned this Motion may be, there is no doubt its potential effect on trade is negative. Not only does it send the wrong signal to our commercial partners (and, indeed, to shippers and industries all across Canada that rely on PMV), it is also somewhat hypocritical given residents of this region do and will continue to purchase and consume a wide range of goods that utilize metallurgical coal in the production process.

Finally, we submit that this is a peculiar Motion for the City of Vancouver to entertain considering the economic foundations of the City's prosperity. Why do we say this? Because arguably the two most important economic sectors in the City of Vancouver are:

- *the Greater Vancouver Gateway cluster*, consisting of the Port and the transportation, logistics, and various technical and professional service industries that are closely linked to it, which together support and sustain many tens of thousands of mostly high-paying jobs in both the City itself and the wider Lower Mainland region. While we do not tend to claim that any particular industry is more important than another, a convincing case can be made that the Gateway Cluster is the largest and most important economic engine in the region; and,
- *the mining/mineral exploration and development cluster*, consisting of some 800 mining companies whose offices are located predominantly in the City's central business district, and which are a vital source of demand for the legal, accounting, financial, engineering, technical and various other service-providing businesses that occupy a large portion of the office space in the City.

Further to the above points, we note that the Vancouver Economic Commission (VEDC) – the economic development agency for the City – identifies both the Gateway and Mining as key clusters in the City's economy. In its promotion of the City, the Commission prominently cites the benefits of the \$13 billion that the federal and provincial governments and the commercial transportation industry have invested in Gateway infrastructure to facilitate growth in Port and related activities. The Commission's website also cites a number of organizations, such as the Asia Pacific Foundation, that are working to enhance and expand trade linkages with Asia.



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With respect to mining, the VEDC trumpets the fact that the City is the “base of operations for over 800 mining and mineral firms, including two of the world’s largest mining companies.” Its website goes on to underscore to potential investors that “Vancouver’s world-class port, with close proximity to Asia and excellent rail links to mines, is a top competitive asset.”

As a final thought, we would suggest that the Port is actually part of the fabric of the city and the broader region. Vancouver exists and has been built up over the past century in part because of the Port. Indeed people enjoy watching the ships and the ever-changing seascape. From our perspective, the City should be celebrating the Port and doing what it can to support growth (as the Economic Commission is doing). Rather than trying to curtail expansion of coal shipments, the City could be working with industry to make sure mitigation measures are in place and coal dust is minimized. To the extent improvements can be made, this represents an opportunity to sell technologies and consulting services to other jurisdictions.

Finally, there is much evidence that decisions made in a vacuum often have consequences that exacerbate other problems and can undermine the intended outcome; Motion B.9 is a case in point. British Columbia has been a leader on climate change in part because of the sophistication of our resource-based industries and our infrastructure service providers. We have possessed the means to invest in technologies, standards and practices that mitigate the environmental impact of industrial and other human activity. Stopping economic development, and preventing Western Canadian resource industries from exporting what they produce, is a fundamentally misguided approach that threatens the very foundations of our economy.

Yours sincerely,

*Original signed by  
Greg D’Avignon*

Greg D’Avignon  
President and Chief Executive Officer

JAF/vjc