Boundary Bay Conservation Committee
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July 15, 2011

Attention:

Hon. Christy Clark
Premier of British Columbia
President of the Executive Council

and

The Right Honourable Stephen Harper
Prime Minister of Canada
Office of the Prime Minister

and

Members of the Legislative Assembly of BC
West Annex, Parliament Buildings
Victoria, B.C., V8V 1X4
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and

Members of Parliament
80 Wellington Street
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Re: Government Plans for Foreign Trade Zones in B.C.

The Boundary Bay Conservation Committee (BBCC) is opposed to plans by the B.C. Liberal Government and the federal government to consider introducing Foreign Trade Zones (FTZs) into B.C. by 2015. Instead of openly seeking public input and comment, the B.C. Government has quietly put out a Request for Proposal for a feasibility study of Foreign Trade Zones (FTZs) for British Columbia and has awarded a contract to InterVISTAS Consulting Group, a company whose executives have worked closely with the Greater Vancouver Gateway Council and whose business is international trade. This appears to be a conflict of interest.

Foreign Trade Zones (FTZs)

A foreign trade zone is the United States version of what is known internationally as a free-trade zone. The plan for foreign trade zones (FTZs) in B.C. is to satisfy the business interests of companies such as GCT Global Container Terminals Inc. These companies want to use land within 60 miles (96.5 km) of ports without bearing the usual costs of taxes, duties and some government regulations. Foreign trade zones are often created near, or adjacent to, ports in order to provide special customs procedures for international-trade related activities:
http://www.importexporthelp.com/foreign-trade-zone.htm

- Duty-free goods can be imported into a FTZ, processed and then exported to another country duty-free.
- If the processed goods remain in the country, they become subject to any duties once they leave the FTZ the zone.
- There is no time limit on goods stored inside a FTZ and certain foreign and domestic merchandise held in FTZs may be exempted from taxes.

- Quota restrictions are in some cases waived for items entering an FTZ.

- Activities in a FTZ include assembling, packaging, destroying, storing, cleaning, exhibiting, re-packing, distributing, sorting, grading, testing, labeling, repairing, and combining with foreign or domestic content. They can also include manufacturing and processing.

- Special subzones can be declared for more extensive manufacturing, processing and warehousing.

- Subzones can be located outside the FTZ and enjoy the same benefits. In the U.S., subzones allow import and/or re-export companies to locate within 60 miles (96.5 km) of the port of entry with the same privileges as the core FTZs.

http://www.sandiego.gov/economic-development/pdf/foreigntradezonefs.pdf

- The United States has authorized over 80 subzones for the oil refinery/petrochemical industries.

http://www.naftz.org/docs/library/WhyZonesareImportanttotheOilRefiningBusiness.pdf

- In the U.S., ExxonMobil buys foreign crude, refines it into jet fuel and exports it to other countries. This is done without any formal entry into the country.

- Panama has developed the Bahia Las Minas Petroleum Free Trade Zone in Colon, the second biggest in the world after Hong Kong. It has established numerous other Petroleum Free Zones under a special tax free regime for multiple operations associated with the management and processing of crude oil

http://www.businesspanama.com/investing/opportunities/petroleum.php

Explanations of foreign trade zones are unclear about conflicts with local industry and domestic plants. Proponents assure locals that there will be no such conflicts. These claims, however, are completely unsupportable and unenforceable.

FTZs, which were supposed to help developing countries, have become problematic:

http://frustratedfarmgirl.wordpress.com/2010/08/18/fair-trade-part-2-free-trade-zones-and-sweat-shops/

- Because Free Trade Zones are not technically a part of the host country, the workers have no representation.

- When companies do not pay their workers fairly, the workers have no recourse.

- August, 2010: of the 43 million people employed in Free Trade Zones, many of these people do not make a living wage.

- There have been reports of workers having their pay withheld unless very high quotas are met.
- FTZs have been identified as facilitating companies that use sweat shop labour

Environmental Impacts Ignored as B.C. plans Foreign Trade Zones and Doubling of Container Capacity at Deltaport, Roberts Bank, mouth of the Fraser River, British Columbia

The B.C. Liberals perceive the municipalities of Delta and Richmond to be perfect locations for foreign trade zones because of the container business at Deltaport, Roberts Bank, B.C. and because surrounding prime farmland has not yet been paved over. Despite efforts by the public to protect these lands in the B.C. Agricultural Land Reserve (ALR), the B.C. Liberals continue to take steps to accommodate use of these lands for port-related businesses.

Local land claims were settled by granting 1,000 acres of crown ALR lands to First Nations with half of the properties removed from the ALR for development purposes. The government approved port expansion for containers and is now building a new freeway through Delta farmland, Surrey wetlands, and habitats of Burns Bog and the Fraser River Ravines. The B.C. Liberals have purchased and secured farmland properties for future industrial use. Now they are beginning the process of doubling the container capacity at Deltaport (Terminal 2) and setting up foreign trade zones to lure foreign investors to pave over farmland and internationally-significant habitats. Foreign trade subzones could be set up 60 miles from Deltaport including up the Fraser River.

Tragically, these Gateway actions are destroying habitats of the Fraser River delta ecosystems which support endangered orcas, top-ranking salmon runs, and the three most significant 'Important Bird Areas'(IBAs) in Canada: the Fraser River Estuary IBA which includes Boundary Bay, Roberts Bank and Sturgeon Bank and surrounding uplands. This area has international significance as Canada's major stopover on the Pacific Flyway for up to five million migrant birds from at least 20 countries. Scientists from Environment Canada have warned that this vital link in the chain of the Pacific Flyway could be broken for shorebirds. A large portion of the world's populations of Western Sandpipers are dependent on a unique biofilm in the mudflats of Roberts Bank created by tidal conditions and nutrients flushing out of the Fraser River.

Recently it has been formally reported that the so-called federal/provincial harmonized environmental assessments of these projects are flawed and have failed to protect vital habitats from irreversible significant adverse effects. The B.C. Auditor-General has submitted a report *(An Audit of the Environmental Assessment Office's Oversight of Certified Projects, July, 201)* exposing the fact that the B.C. Environmental Office has failed to provide measurable and enforceable plans to avoid harmful environmental impacts. As Gateway Projects have been assessed under a federal/ provincial harmonized environmental assessment process, it follows that the federal process is equally invalid

And now, yet more Asia-Pacific Gateway projects are about to be forced on the public – foreign trade zones and a new terminal at Deltaport with 3 new berths. It appears that the unaccountable Greater Vancouver Gateway Council continues to direct government Gateway policies.

The Greater Vancouver Gateway Council (GVGC) was initiated in 1994 by an industry-led organization of senior executives from seaports, airports, carriers and other companies engaged directly in the transportation business. The federal and provincial governments provide funding and consultation but have no voting powers. Taxpayers funded the major 2003 study, "Economic Impact Analysis of Investment in a Major Commercial Transportation System for the Greater Vancouver Region". The study did not include public input, safety, or environmental considerations.

Now the Greater Vancouver Gateway Council continues with its vision of promoting Greater Vancouver as a world transportation gateway in spite of statistics proving that its hope for substantive growth in the container business is not being realized.

Misrepresentation of economic need and benefits

The Boundary Bay Conservation Committee (BBCC) and other groups have questioned the economic feasibility of Gateway plans for over a decade. It has been repeatedly demonstrated that statistics show there is no justification for these projects for the container trade business. B.C. already has the capacity to handle increased container business for years to come.

It appears the true lucrative benefits of the Gateway projects are land rezoning and real estate developments which will benefit private companies and individuals. The B.C. Government and Crown corporations such as Port Metro Vancouver and B.C. Rail (now under B.C. Transportation Financing Authority) do not have to consider the bottom line as projects are funded with taxpayers' assets and tax dollars.

Credible "feasibility studies" were not part of the process for the Deltaport expansion or for the South Fraser Perimeter Road. Port Metro Vancouver justified construction of the Third Berth at Deltaport, Roberts Bank with unsubstantiated forecasts of increased container traffic. Even the lowest case prediction of 2.8 million TEUs for 2010 was not realized. The total for 2010 was 2.5 million TEUs. In spite of recovery from the 2009 slump, current statistics for container TEUs for Port Metro Vancouver are about the same as in 2006/2007.

There is no real business case that supports the billions that are being spent on the Asia Pacific Gateway infrastructure in Greater Vancouver. Yet both levels of government continue to use public assets and spend taxpayers' money for Gateway projects that are based on the questionable belief that the Vancouver container business will expand 2 or 3 times the current numbers. Is this what the public wants with associated traffic, pollution, loss of habitat and farmland, and with increased public debt?

The provincial Liberal Government increased taxpayer-supported debt for transportation by 80% between 2001 and 2010. Obligations for contracted transportation projects which are taxpayer-supported and supposedly self-supported (i.e. fees, tolls, etc. for taxpayers) add up to $16 billion. This is only the beginning as B.C. proceeds with its 3 billion dollar Gateway plans. Similarly the federal government continues to use taxpayers' dollars with $1 billion to the Asia-Pacific Gateway and Corridor in 2007 and a commitment to spend $2.1 billion to a national fund for gateways and border crossings.

It is not only the general public that has concerns. Other port businesses recognize the disproportionate funding to the Gateway container dream. A recent report by the *Canadian Transportation Research Forum* (May, 2011) finds that the promotion of Gateway has focused on container traffic at the expense of bulk and break-bulk shipping:

> " ... the promotion of the Gateway has focused largely on expanding and accelerating the velocity of container traffic, in large measure with public funding. In contrast, improvements to the handling capabilities for bulk…and breakbulk. …freight originating in Canada has received significantly less attention and funding. Bulk and break-bulk freight forms the base of an economy that provides well paying jobs, significant tax revenues and export earnings. Although these commodities are in high demand from economies throughout the world, especially those in Asia, and might otherwise merit immediate and significant investment, there is more emphasis on investment (including public investment) in competitive container traffic than bulk commodity traffic."

The report outlines how this contravenes the purpose of the federal *Canadian Marine Act (CMA).* Referring to the 34 Gateway Projects:

> "…Of these Initiatives, 25 were of benefit to the container sector, while only four were for the dual benefit of the bulk and container sectors…Such initiatives appear to directly contradict the purpose of the CMA."
>
> "…Whether the use of public funds for port infrastructure is desirable at all is one question, but the case for preferring container port infrastructure over bulk and break-bulk infrastructure is not, in our view, warranted."
>
> "Investing in container facilities does not promote competition in a way that supports continued growth in the bulk sector and thus fails to fulfill the purpose of the CMA.
>
> **Public Policy and Bias in Favour of Containers**
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> Despite the guidance provided by the CMA, the investment risk associated with container traffic, especially imported containers, and the glaring need for active investment in bulk transportation and terminal infrastructure, there appears to be a bias in favour of expending resources on infrastructure that will benefit the container industry."

http://www.mcmillan.ca/Files/128553_Investment%20in%20Canadas%20Asia-Pacific%20Gateway%20Infrastructure%20for%20Bulk%20vs%20Container%20Traffic.pdf

There are no substantive advantages to further expansion at Deltaport and the establishment of a foreign trade zone. Port Metro Vancouver makes claims of the benefit of jobs but how many of them are temporary jobs paid with money borrowed by taxpayers? How many of them will be given to temporary workers from underprivileged countries?

It is perplexing that the federal and provincial governments are moving forward with the possibility of foreign trade zones when, in fact, the Canadian Government has already passed legislation that provides the same benefits as a foreign trade zone and boasts that Canada's policy is superior to specific foreign trade zones:

> "Canada Provides Unsurpassed Tariff and Foreign Trade Zone Advantages
>
> Canada has taken important steps in providing new trade advantages for investors. It is eliminating tariffs on manufacturing imports and is offering many complementary benefits found in foreign trade zones around the world but with a key difference: Canada's general duty and tax relief is geographically flexible. It can be enjoyed anywhere in the country.
>
> Canada's approach is superior to efforts by other countries that focus on location-specific foreign trade zones. Canada is the first G20 country to implement such an approach. This makes Canada a destination of choice for foreign investment."
>
> http://investincanada.gc.ca/eng/advantage-canada/tax-advantage/tariff-and-foreign-trade-zone-advantages.aspx

As the benefits are already in place, the Boundary Bay Conservation Committee requests that the Canadian and B.C. Governments call an end to consideration of foreign trade zones in B.C. Why consider plans that have serious negative environmental, social and economic downsides?

- building on internationally-significant wildlife habitat
- building on farmland including parcels supposedly protected by the Agricultural Land Reserve
- unnecessarily spending taxpayers' money on infrastructure
- policing and regulating these zones will be highly problematic and costly to taxpayers in spite of claims that operators will be responsible for those costs
- importing low-cost labour creates social inequities and removes public scrutiny of wages and working conditions
- importing low-cost labour creates social problems of housing, health, crime and family fragmentation
- there are no public services for temporary foreign workers
- loss of taxes and duties

- potential for smuggling, money laundering and terrorist funding due to relaxed oversight by domestic authorities and lack of adequate coordination between the customs officials (This oversight is paid with tax dollars)

- potential for customs fraud - monitoring and policing paid with tax dollars

- loss of local jobs

- creation of low-paid jobs

Surely it is not in the public interest and the interest of “families” to desecrate habitat, farmland, social security and the social fabric of a fair society and to, furthermore, fund, legislate, and rubber stamp unnecessary Gateway projects for special interest groups associated with the Greater Vancouver Gateway Council and their associates.

Yours sincerely,

Susan Jones
Director: BBCC

cc: Adrian Dix, B.C. NDP Leader of the Official Opposition
Kerry-Lynne Findlay, MP for Delta-Richmond East
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