



# Corporate Report

NO: R040

COUNCIL DATE: MARCH 12, 2007

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## REGULAR COUNCIL

TO: Mayor & Council DATE: March 5, 2007  
FROM: GM, Engineering; GM, Finance & Technology; Manager, Economic Development FILE: 5650-20(FRPA)  
SUBJECT: Ports Amalgamation Proposal

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## RECOMMENDATION

It is recommended that Council:

1. Receive this report for information.
2. Endorse the following recommendations made in response to the '*Global Competitor, Community Partner: An Integrated Port Entity for the Lower Mainland*' report:
  - Request one (1) additional municipal representative on the Board of Directors of the new port entity
  - Request assurances regarding ongoing sufficient dredging of the Fraser River
  - Request the establishment of a separate Operating Division for the Fraser River
3. Authorize the City Clerk to forward a copy of this corporate report and the related Council resolution to the Coordinating Committee for the Vancouver Port Integration Review.

## INTENT

The purpose of this corporate report is to provide comments for Council's consideration in response to the '*Global Competitor, Community Partner: An Integrated Port Entity for the Lower Mainland*' report and the related correspondence from the City of North Vancouver, referred to staff at the February 26, 2007 Regular Council meeting.

## BACKGROUND

In 2006, the Federal Minister of Transport requested that the three Port Authorities, namely the Fraser River Port Authority, the North Fraser Port Authority and the Vancouver Port Authority explore the concept of integrating into one Port Authority entity. It is believed that amalgamation is being pursued with a view to increasing the global competitiveness for the region's ports and to ensure that the collective assets of the ports are being managed efficiently and effectively.

A study which included extensive consultation with stakeholders (the City of Surrey was not included) was conducted by InterVISTAS Consulting under the guidance of a Coordinating Committee made up of officials from the three Ports. This study produced a report entitled ***'Global Competitor, Community Partner: An Integrated Port Entity in the Lower Mainland'*** (attached), which drew the following conclusions:

- There is strong support for integration with the majority of those with an opinion favouring a quick process.
- The major benefits of integration include: improved land use planning and coordination; more effective marketing; improved operational efficiencies; enhanced financial resources; greater influence; increased human resources and expertise; and streamlined user interface.
- Stakeholders expressed concern about the possibility of: increased bureaucracy; reduction in local responsiveness; and monopolistic behaviour.
- None of these issues were considered to be sufficient to warrant not moving ahead with integration; several groups requested the opportunity to review and comment on the Committee's recommendations.
- Evaluation of various corporate structure options revealed that amalgamation is the preferred option; status quo is the least desirable.

The report makes the following recommendations: (The recommendations in bolded print are of particular interest to Surrey and are discussed in the following section of this report).

1. The three Lower Mainland port authorities should be amalgamated.
2. **The new Port Authority should include an Operating Division(s) for the Fraser River**
3. Supplementary letters patent should be established for the new entity, based on the best elements of the current ones.
4. The legal name of the new entity should be the Vancouver Fraser Port Authority (VFPA).
5. The Board should be composed of 11 Directors.
6. **The Directors should be appointed as follows:**
  - 1 by the Governor in Council
  - 1 by the Province
  - 1 by the other three western provinces
  - **1 by all of the municipalities bordering the Port**
  - 7 by Governor in Council in consultation with users
7. All board appointments should be based on skill, commitment and diversity.
8. The Board of Directors should be a policy board; day-to-day management of the Authority should be delegated to the Chief Executive Officer.

9. The VPA Port Advisory Committee and the Nominating Committees of the FRPA and NFPA be asked to work together to make recommendations regarding the establishment and operation of a single new nominating entity for the VFPA.
10. Directors should be appointed for three-year terms, with the terms of one-third of the Board members expiring annually.
11. Director terms starting in any given year should begin on the same date.
12. The Chair should be elected from among their number.
13. The VFPA should commit to a special examination after three years of operation, with the terms of reference expanded to include consultation with stakeholders
- 14. The VFPA should work with the Federal and Provincial Governments to consider and resolve several longstanding issues, including:**
  - **Financial support for annual maintenance dredging**
  - Extending the jurisdiction beyond the current boundaries of the three port authorities
  - Appropriate changes to the CMA in support of the gateway
15. A Transition Committee should be established, with equal representation from each Port Authority, to guide the transition process.
16. Subcommittees, reporting to the Transition Committee, should be established to develop and implement different elements of the Transition Plan.

## **ISSUES OF PARTICULAR RELEVANCE TO SURREY**

### **Recommendation 2** *‘the new Port Authority should include an Operating Division(s) for the Fraser River’.*

We strongly support this recommendation and believe a separate Operating Division for the Fraser River is critical to ensuring that responsiveness to local issues and focus on the Fraser River tenants and user groups is not compromised with amalgamation.

### **Recommendation 6** *‘the Directors should be appointed as follows: .....1 (appointed) by all of the municipalities bordering the amalgamated port.....’*

We strongly support the City of North Vancouver’s suggestion that the number of Directors representing municipalities bordering the amalgamated port **be increased to 2**. One Director to represent the inlet municipalities, and one Director to represent the river municipalities.

### **Recommendation 14** *‘The VFPA should work with the Federal and Provincial Governments to consider and resolve several longstanding issues, including financial support for annual maintenance dredging’.*

We strongly support this recommendation. The issue of dredging and its potential assistance in lowering flood levels in the Fraser River is important for municipalities along the river. Under the Federal Government’s Asia-Pacific Gateway and Corridor initiative, they have committed \$4 million over two years for dredging. However, a long-term sustainable funding approach is needed regardless of the amalgamation. The proposed amalgamation would potentially provide more leverage to secure such long-term funding. A similar situation relates to Port funding towards the Fraser River debris trap.

## **Property Taxation**

Recent news articles have suggested that a merger of the three port authorities could result in cities receiving less property tax revenue from port terminals.

Beginning with the 2004 taxation year, the general tax rate (municipal portion) for property taxes, designated as port properties in British Columbia (Class 4 Major Industrial) is subject to a cap of \$27.50 per thousand dollars of assessed value. This cap is in effect for five years, during which time a review of the legislation is to be conducted. The rationale for the introduction of the capped tax rate is to allow the port industries to invest in new plant and equipment. For cities whose Class 4 tax rate is higher than the cap (\$27.50), the Province of BC issues a temporary offsetting grant for a corresponding five year period to compensate for the reduced tax revenue.

The City of Surrey's Class 4 tax rate for 2006 was 14.88408 per \$1,000 of assessed value. Since this is well below the cap the City does not receive an offsetting grant from the Province.

The concern of those municipalities that are currently receiving a grant to offset the reduced tax revenue is that this assistance will end in 2008 with no alternative mechanism in place to recover the reduced tax revenue. Should the port properties amalgamate, the concern is that they will wield more power to either further reduce the cap or grant a payment in lieu of taxation that may not be based on assessed values at all.

## **CONCLUSION**

Annually, 38.8 million tonnes of cargo is shipped through Fraser Port, making it the second largest port in Canada. Fraser Port generates \$2.8 billion in local economic output and 16,100 direct jobs, 4,400 of which are in Surrey. In 2004, the Port Authority's general cargo terminal, Fraser Surrey Docks, invested \$190 million in upgrades to its facility. This, combined with the fact that over 350 businesses in the region depend on the port and port-related activities indicates the significance of Fraser Port as a driver of our local, regional and provincial economies.

It is incumbent upon the City to do what it can to ensure the vitality of the existing Fraser Port and the needs of its stakeholders are not compromised as a result of the proposed amalgamation. We therefore suggest that Council convey to the Coordinating Committee their preference to have an additional municipal representation on the Board of Directors, concrete assurances regarding ongoing sufficient funding for dredging of the Fraser River, and a separate Operating Division established for the Fraser River as part of the port amalgamation process.

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Attachment (1)