



6 June 2017

Katherine Bamford
Director, Trade Development
Vancouver Fraser Port Authority
100 The Pointe, 999 Canada Place
Vancouver, BC

Dear Ms. Bamford,

We are writing to provide the following comments on the Port of Vancouver's consideration memo regarding the mechanism that the port will use to recover the \$30 million in costs associated with the construction of the new Tsawwassen Container Examination Facility (CEF).

Although we appreciate the port's effort to work with stakeholders to identify the best means of funding and operating the new CEF, we are disappointed with the hybrid cost recovery model that this process has produced. More specifically, we have serious concerns regarding the model's reliance on a per TEU fee to recover any capital costs that are not recovered through the rent that the port charges to the facility operator. Such a fee, which would be assessed against ALL laden import containers handled at Roberts Bank terminals, represents a significant divergence from the longstanding principle under which the importers who pose the highest risk from a CBSA targeting perspective are the parties which bear the costs of the resulting examination fees, while shippers which pose a low risk are not required to subsidize such fees other than in instances in which they are subject to an exam.

Not only are we uncomfortable with the fact that the port is seeking to weaken this principle without any discussion on the appropriateness and impact of such a change from a public policy perspective, we are also concerned about the collection challenges that a per TEU fee will create for container carriers, particularly in a context where the level of the fee will not be quantified until after a new CEF operator has been selected. Also of concern is the competitive disparity the fee will create with other ports such as Prince Rupert, where exam fees will continue to be assessed exclusively against the shipper whose cargo has been targeted by CBSA, and where carriers will not be faced with the administrative burden of having to collect an additional per TEU fee from all shippers of containerized import cargo.

As indicated in the consideration memo, the port believes that its ability to attract an operator for the new CEF is contingent on its ability to find funding sources beyond that which it can reasonably expect to recover through the rent it charges to the operator. Although we do not disagree with this assessment, we would submit that the port is looking at the wrong funding sources in this respect. More specifically, the port should look to section 6 of the *Customs Act*, which not only requires ports to provide facilities for conducting CBSA exams, but also implies a responsibility on their part to shoulder some of the financial costs of doing so, or alternatively, to seek an appropriate level of funding from the government.

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In view of the foregoing, we strongly urge the port to make up any funding shortfalls associated with the new CEF through the *National Trade Corridors Fund* announced in the last federal budget, which is designed to provide \$2 billion over 11 years to target congestion and inefficiencies at major ports of entry and transportation corridors (with an additional \$5 billion to be provided under the Canada Infrastructure Bank).

Given the impact that CBSA container exams have on the Port of Vancouver's efficiency and competitiveness, we believe that applying to this fund is a far more logical and equitable means of securing additional funding for the new CEF than is the imposition of a new - and unprecedented - per TEU fee on all laden import containers.

This being said, we also continue to consult with our members to identify other options for operating and funding the new CEF, and will revert with additional recommendations in this respect in the near future. In the meantime, we trust that you will give our comments serious consideration and take the proposal for a per TEU fee off the table.

Sincerely,

A handwritten signature in blue ink that reads "Karen Kancens". The signature is written in a cursive, slightly slanted style.

Karen Kancens
Director, Policy and Trade Affairs
SHIPPING FEDERATION OF CANADA