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Clogged ports hampering growth, economist warns: Manufacturers pinched

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VANCOUVER - Congestion around the Port of Vancouver has become so serious that it's dragging down the Canadian economy, says Export Development Canada's chief economist.

Stephen Poloz said that because of delays around the country's biggest port, he has cut his 2005 growth estimate for the economy to 2.9% from 3.2%.

"The clog in the Port of Vancouver is a significant reminder that a temporary disruption in the flow of trade can have a significant impact on economic statistics," Mr. Poloz said in a report yesterday.

Vancouver's port, Canada's main gateway to Asia, has recently been hit with a tidal wave of increased trade from China, with volumes up this year by a staggering 56%. The unexpected surge has left not only Vancouver but ports and railways up and down the West Coast clogged with lineups and backlogs.

Indeed, some importers are complaining of delays of up to a month.

Vancouver handles about \$30-billion of trade a year.

Mr. Poloz said that because of the port's critical role, the impact of the congestion is being felt across the broader economy.

"Consider that some 15% of Canada's imports come from Asia, and most of those would pass through Vancouver," Mr. Poloz said.

But the problem is not just at the port. The railways that serve it are also struggling to deal with the increased volumes and have been hit with bottlenecks across their networks.

"We are constrained between Moose Jaw and Vancouver, Calgary and Vancouver," said Rob Ritchie, chief executive of Canadian Pacific Railway Ltd.

Export Development Canada is a government department that provides financing to exporters.

In an address to business leaders in Montreal yesterday, Mr. Ritchie said CP needs to invest \$500-million to \$600-million to its infrastructure to fix the problem.

CP and Canadian National Railway Co. have already unveiled a series of track-sharing deals aimed at enabling the two companies to increase the flow of freight on their networks.

Mr. Poloz said the impact of the congestion affects the economy in at least three ways.

First, some merchandise that should be sold in stores is not getting sold because it is sitting on a dock in Vancouver somewhere. Second, consumer spending gets pushed down, because some goods are not available.

Third, manufacturers may be hurt because components they import are not available.

"If some of the goods stuck in Vancouver are components destined for incorporation in Canadian exports, companies with global supply chains might have to slow down their export shipments," Mr. Poloz said.

The flood of both exports and imports from China has left the entire western seaboard snarled with unexpected freight volumes, so Vancouver is not alone.

The situation has become so serious that several major importers including the Bay, Canadian Tire and Wal-Mart are already bringing in merchandise from China through East Coast ports like Halifax even though the trip takes at least twice as long and is 35% more expensive.

There is evidence that Mr. Poloz may be underestimating the impact of the congestion.

Western Canada's coal industry is benefiting from surging demand from China, but analysts said players such as Fording Canadian Coal Trust, one of the world's leading producers, could be doing even better if it there was room in the transportation system to ship more coal.

According to Anne McMullin, a spokeswoman for the Port of Vancouver, the port regularly turns down shipping lines looking to increase service because of lack of space.

"One customer said they could double their business tomorrow if we had the capacity," she said, adding that plenty of other shipping lines are in the same situation.