

# ECONOMIC IMPACT STUDY

British Columbia Maritime Employers Association (BCMEA)

*Final Report of 9 September 2021*

## Executive Summary

The British Columbia Maritime Employers Association (BCMEA) commissioned InterVISTAS Consulting Inc. (InterVISTAS) to undertake an economic impact assessment of the association's operations as well as the operations of its membership base of BC maritime employers in 2020.

British Columbia's waterfront activities are supported by carriers, ship agents and marine terminals. These employers are a key linkage to the western Canadian resource sector and an integral part of the country's transportation network. Where ships meet shore, BC's maritime employers are responsible for the safe movement of cargo and passengers through Canada's West Coast ports. They also contribute directly to employment and economic growth in the region and across the country. This study communicates the important economic role that BC's waterfront employers play in their local communities, the Province of British Columbia, and nationwide.

The British Columbia Maritime Employers Association represents 49 maritime employers, such as marine terminal operators, ocean carriers and ship agents, across British Columbia. Historically known for labour relations and collective bargaining, the BCMEA are also experts in recruitment and training waterfront workers for the future, while prioritizing the health and safety of waterfront workers in training programs with the International Longshore and Warehouse Union. The BCMEA supports the day-to-day operations of its members by providing real-time data and analysis on labour supply and demand as well as labour costs. In addition, as the maritime industry evolves and new technologies are introduced, the BCMEA invests approximately \$28 million in training and development programs per year, involving 6,000 workers in 36 unique waterfront jobs.

### Maritime Operations in British Columbia: Canada's Vital Trade Link to the World

Everyday, Canadians depend upon the nation's West Coast ports to move their trade with the rest of the world.

- Canada's West Coast ports are involved in moving more than **\$290 billion worth of cargo annually**, or an average of \$800 million in trade per day.<sup>1</sup>
- The value of cargo moving through Canada's West Coast ports accounts for **25% of the nation's total trade in goods** (exports and imports).<sup>2</sup> In particular, this includes substantial export volumes by Canada's top producers in agriculture, forestry, mining, and manufacturing, as well as large import flows of goods consumed by Canadian businesses and households nationwide.

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<sup>1</sup> Cumulative impacts of the Port of Vancouver and Port of Prince Rupert, based on publicly reported data. Data for other West Coast ports was not available.

<sup>2</sup> Ibid

- Canada's West Coast ports are directly supported by more than **45,000 jobs within BC alone**. Including multiplier impacts, over 96,000 jobs are supported in the province, equivalent to filling five sold out Canucks games at Rogers Arena.<sup>3</sup>

***Canada's West Coast ports are not only a major employer within British Columbia (supported by more than 45,000 direct jobs within the province alone) but are an essential component of the Canadian supply chain, supporting the movement of 25% of the nation's total trade in goods.***

*Source: Cumulative impacts of the Port of Vancouver and Port of Prince Rupert, based on publicly reported data. Data for other West Coast ports was not available.*

Maritime port operations encompass a vast network of businesses and stakeholders collectively involved in moving sea-shipped goods to and from a nation's borders. Observers of waterfront port operations activity on a given day will see work being performed by various economic agents including:

- **Carriers and ship agents** – the ships carrying goods and passengers to and from the waterfront.
- **Terminal operators** – the businesses managing and investing in the port terminals where the ships dock and longshore workers load/unload cargo.
- **Warehouses and transload facilities** – the facilities where goods can be stored and/or prepared for the next leg of their journey. Significant warehousing and transload operations are also located away from the waterfront.
- **Canadian Port Authorities (CPA)**<sup>4</sup> – Canadian Port Authorities are federal agencies that act as landlords, leasing out port operations to private terminal operators. Per the definition from Transport Canada, CPAs are federally incorporated, autonomous, non-share corporations that operate at arm's length from the federal government, who is the sole shareholder.
- **Marine support service providers** – tug, tow, and barge services through the harbour.
- **Rail and truck carriers** – the ground transport providers that move sea shipments to and from the port terminals.

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<sup>3</sup> Ibid.

<sup>4</sup> Source: <https://tc.canada.ca/en/corporate-services/policies/canadian-port-authorities>

## Businesses and Activities in Port Operations



Beyond the visible shipping activity on and near the waterfront, port operations are also linked to other support activity such as ship chandling, freight forwarding, and customs brokerage, as well as regulatory activities such as customs and border control and oversight from a port authority (where applicable). In British Columbia, four of the 18 ports include port authorities which administer and govern the port lands and related harbour use but are otherwise not involved in day-to-day shipping functions. Instead, they lease the land to private operators who in turn manage the actual port terminals and all related terminal activity.<sup>5</sup> These terminal operators work with the other service providers in the broader supply chain to handle the actual shipment of goods and passengers.

Terminal operations at ports specifically pertain to on-dock activities associated with the physical loading and unloading of goods or passengers between ship and land, largely related to longshore work and other support functions. This encompasses much of the waterside activity occurring on port lands. Some terminals can include dock-adjacent warehousing, storage, and processing facilities for shipments as well. The waterfront activity centred around terminals involves coordination with a variety of other activities as noted above, from the carriers docking their ships at the terminal, to unions supplying longshore workers at the docks, to rail and trucking carriers moving all goods to/from the waterfront. The value of trade handled by BCMEA's

**Marine shipping is conducted by an ecosystem of maritime businesses which are integral to the Canadian supply chain.**

**In BC, these operators support the nation's key exporters in agriculture, forestry, mining, and manufacturing.**

<sup>5</sup> Port lands can also be leased to tenants that are not associated with trade activity or goods handling through the port.

membership facilitated the movement of over \$180 billion in goods in 2020, moving shipments through BC to/from destinations worldwide.<sup>6</sup>

Overall, BC's terminal operators and maritime employers are an integral component of Canada's trade economy, helping to operate critical trade enabling infrastructure that supports the Canadian supply chain and Canadian producers, thereby contributing to the nation's long-term economic growth and competitiveness, while making and supporting strategic investments in infrastructure.

## Economic Impact Results

*Economic impact* is a measure of the spending and employment associated with a sector of the economy, a specific project, or a change in government policy or regulation. In this case, economic impact refers to the economic contribution associated with the ongoing operations and activities of BCMEA and its member customers. Economic impact is most commonly measured in several ways, including employment, wages, Gross Domestic Product (GDP) and economic output. The three major components of economic impact are classified as *direct, indirect, and induced impacts* – which capture the economic impact of the BCMEA and BCMEA maritime employers across the provincial and national economies.

BC maritime employers are important drivers of economic development and growth in the Province of British Columbia and more broadly across Canada. In terms of direct activity, BCMEA and BCMEA maritime employers generated 9,400 direct jobs in the province and contributed \$2.7 billion directly to provincial economic output in 2020. BCMEA and its members' total economic contribution (direct, indirect, and induced) across the nation amounted to 21,200 jobs and \$5.1 billion in economic output. Although certain sectors of the waterfront shipping industry in BC were adversely affected by the COVID pandemic in 2020 (particularly the cruise sector), these figures nonetheless exemplify the substantial contribution made by BC's maritime employers to the provincial and national economies.

## Total Economic Impact

Direct employment in BC supported by operations of BCMEA and its membership base of maritime employers amount to 9,400 jobs in 2020, as shown in **Figure ES-1**. These employees earn approximately \$1.0 billion in wages, yielding an average of nearly \$109,600 per job per annum. This compares to an average annual wage in BC of \$56,200 across all industries, reflecting the large number of high skilled positions that are supported by the maritime employers in the province.<sup>7</sup> The direct GDP generated by BCMEA and its members to the economy is estimated to be \$1.4 billion (roughly 0.5% of total provincial GDP)<sup>8</sup>, while economic output is estimated to be \$2.7 billion.

The economic impact of BCMEA and its members is not limited only to the direct impacts. A wide range of businesses are supported by maritime employers, as other sectors of the economy are dependent on these employers' businesses. This includes indirect impacts in businesses that supply the goods and

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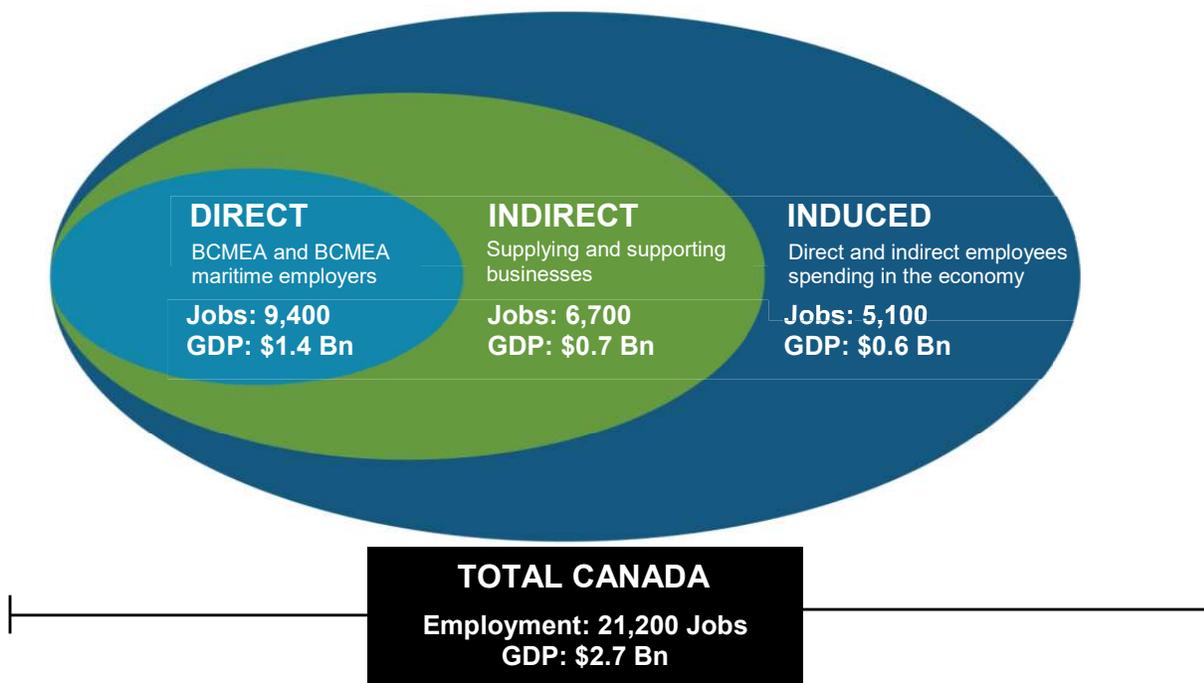
<sup>6</sup> Source: InterVISTAS analysis of BCMEA cargo assessments and Canadian/US customs data on average trade values for key commodities in 2020. It is important to note that average per tonne values of commodities can fluctuate frequently depending on current prices.

<sup>7</sup> Statistics Canada, Table 14-10-0204-01, Earnings, average weekly, by industry (All industries), 2020, calculated for annual earnings.

<sup>8</sup> Statistics Canada, Table 36-10-0402-01, Gross domestic product (GDP) at basic prices, by industry, provinces and territories, Chained 2012 dollars re-estimated in 2020 dollars.

services to the direct activities linked to BCMEA and its members operations, and induced impacts resulting from direct and indirect employees spending their wages in the general economy. Therefore, the total economic impact of BCMEA and its membership includes the sum of direct, indirect, and induced effects.

Adding in multiplier impacts (indirect and induced) throughout the BC economy, the total employment supported by BCMEA and its membership of maritime employers is estimated to be 18,100 jobs within the province, earning a total of \$1.5 billion in wages.<sup>9</sup> Total GDP is estimated to be \$2.3 billion, and total economic output is estimated to be \$4.4 billion to the provincial economy. The economic impacts of BCMEA and the BC waterfront workforce extend beyond British Columbia as well. Nationwide, the operations of BCMEA and its membership of maritime employers supports a total economic impact (direct, indirect, and induced) of 21,200 jobs earning \$1.7 billion in wages, along with \$2.7 billion in total GDP and \$5.1 billion in total economic output across Canada. This encompasses the scale and scope of economic activity involved with the operations of BCMEA and its membership of maritime employers, from the direct impacts associated with maritime operations themselves, to the indirect impacts associated with supplier industries that serve those maritime operations, to the induced impacts associated with the household spending of wages by direct and indirect employees.



<sup>9</sup> Multiplier impacts must be interpreted with caution since they may be illusory when the economy experiences high employment and output near industry capacity. When they are reported, it is recommended that the reader should be aware of the limitations on the use of multipliers. Mindful of these limitations, this study has undertaken multiplier analysis to estimate indirect and induced employment.

***Beyond the economic impacts of its activities, BC's waterfront workforce critically supports the Canadian supply chain.***

***Marine shipping through BC includes over half of Canada's grain exports, large bulk and breakbulk flows of other natural resources, and a wide variety of containerized trade.***

Beyond the magnitude of economic activity associated with maritime operations, BC's maritime employers play a vital role in operating critical trade enabling infrastructure that supports the Canadian supply chain and Canadian producers. BC's waterfront workforce is involved in shipping goods produced by Canada's key export industries in agriculture, forestry, mining, and manufacturing to the rest of the world, while also handling large volumes of imported goods to be consumed by businesses and households throughout Canada. For instance, BCMEA's membership handled over \$180 billion in Canadian trade in 2020, with operations in the Lower Mainland (Port of Vancouver) accounting for more than 75% and the rest of BC comprising the remainder.<sup>10</sup> Per day, on average, BCMEA member terminals handle the movement of \$500 million worth of trade.

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<sup>10</sup> Source: InterVISTAS analysis of BCMEA cargo assessments and Canadian/US customs data on average trade values for key commodities for 2020. It is important to note that average per tonne values of commodities can fluctuate frequently depending on current prices.

**Figure ES-1-1: Direct, Indirect, Induced Economic Impact BCMEA and Its Membership of Maritime Employers, 2020**



Impact	Employment		Wages (\$ Millions)	GDP (\$ Millions)	Economic Output (\$ Millions)
	Jobs	FTEs			
<b>Impacts in British Columbia</b>					
Direct	9,400	8,400	\$1,030	\$1,360	\$2,690
Indirect	5,000	4,500	\$300	\$500	\$950
Induced	3,700	3,300	\$180	\$450	\$710
<b>Total BC</b>	<b>18,100</b>	<b>16,200</b>	<b>\$1,520</b>	<b>\$2,320</b>	<b>\$4,350</b>
<b>Impacts in Rest of Canada (Not Including BC)</b>					
Indirect	1,700	1,500	\$110	\$200	\$420
Induced	1,400	1,200	\$80	\$160	\$310
<b>Total Rest of Canada</b>	<b>3,100</b>	<b>2,700</b>	<b>\$200</b>	<b>\$370</b>	<b>\$730</b>
<b>Grand Total in Canada</b>	<b>21,200</b>	<b>19,000</b>	<b>\$1,710</b>	<b>\$2,690</b>	<b>\$5,080</b>

Note: Totals may not add up due to rounding.

## Capital Investment Impacts

The capital investment by BCMEA and BCMEA maritime employers at BC's ports also generates significant impacts to the regional economy, beyond the impacts associated with ongoing operations. Private sector investments in gateway infrastructure and expansion projects in 2020 reached approximately \$950 million in BC.<sup>11</sup> This capital spending facilitated a further direct employment of 2,500 jobs in BC and generated \$310 million in provincial GDP. Including the indirect and induced multiplier impacts, the total impacts of the capital expenditure in 2020 was 6,100 jobs, \$470 million in wages, \$810 million in GDP, and \$1.8 billion in economic output in BC.

<sup>11</sup> The actual construction costs (including both labour and materials) could be spent within the province and elsewhere across Canada and/or outside of Canada. For this particular study, only the impacts of goods and services purchased within BC are estimated, including the multiplier (indirect and induced) impacts.

## Annual Tax Revenue and Fee Impacts

BCMEA and its members are also important generators of taxation revenues, with approximately \$404 million paid by BCMEA and BCMEA maritime employers and employees to all levels of government. The federal government is the largest recipient of tax revenue, receiving nearly \$273 million. The vast majority of that total is attributable to taxes paid by employers and employees such as personal income tax, corporate income tax, EI contributions and CPP contributions. The provincial governments received a tax revenue contribution of nearly \$108 million. At the municipal level, the government received \$23 million through property taxes.

While the government does collect taxes on fuel, excise or import taxes on cargo, and other operational fees, due to data availability, the taxation impact calculated here focuses on the taxes paid only by direct employees and employers in the industry. Port fees and land lease payments to port authorities are also not included. Based on survey responses, nearly \$108 million in port fees and close to \$96 million in land lease payments were made to respective port authorities by BCMEA’s members.<sup>12</sup> **Figure ES-2** shows the estimated government revenues contributed by BCMEA and its membership of maritime employers in 2020, as well as the amount collected by port authorities.

**Figure ES-2: Annual Estimated Tax Revenues & Port Fees of BCMEA Maritime Employers, 2020**



Note: Taxes collected by the federal and provincial governments include taxes paid by employers and employees such as personal income tax and corporate income tax. Municipal taxes included property taxes paid by BCMEA and its members. The amount collected by port authorities include port user fees and tenant rents.

## Corporate Social Responsibility Impacts

From 2019-2020, nearly \$4.1 million in donations and investment has been contributed by BCMEA and BCMEA maritime employers to local communities. This includes donations, sponsorships, stakeholder engagement, community partnerships, etc.

<sup>12</sup> Only information volunteered by respondents is included. A total of 48% of all BCMEA members responded to this survey question.