TO: Standing Committee on City Services and Budgets  
FROM: General Manager of Corporate Services  
SUBJECT: Vancouver Economic Development Commission ("the VEDC") - Pacific Gateway Strategy Discussion Paper

RECOMMENDATION

A. THAT Council approve in principle the recommendations outlined in the VEDC’s Pacific Gateway Strategy discussion paper.

B. THAT Council direct City staff to work with VEDC to incorporate in City Studies and initiatives, where possible, the recommendations made in the Pacific Gateway Strategy discussion paper.

CITY MANAGER’S COMMENTS

The City Manager supports in principle the concepts put forward in the VEDC’s Pacific Gateway discussion paper.

The City of Vancouver is already engaged in several projects that impact the Pacific Gateway, including updates to the City’s Transportation Plan, and Metro Core Jobs and Economy Land Use Study. Working together with VEDC is in line with Council’s directive to have VEDC provide policy advice and recommendations to Council. City staff can work with VEDC to look at the feasibility of incorporating into City projects and initiatives the principles from the Pacific Gateway discussion paper.
COUNCIL POLICY

Council has a policy of contracting with the VEDC for the provision of economic development services through a service contract. Council has indicated its interest in drawing upon the expertise and perspectives of the VEDC Board, to provide an economic context to policy decisions.

PURPOSE

The purpose of this report is to provide Council with the VEDC’s Pacific Gateway Strategy discussion paper, request Council’s approval in principle of the recommendations made in the paper, and direct City Staff to work with VEDC to include the principles from the Pacific Gateway Strategy discussion paper in City Studies and initiatives.

BACKGROUND

The VEDC identified the Asia Pacific Gateway as a significant economic opportunity for the City of Vancouver. As a result, the VEDC Board formed an Asia Pacific Gateway sub-committee to develop a discussion paper with recommendations for City Council’s consideration. The aim of the discussion paper is to outline the opportunity and to summarize how the City of Vancouver can leverage its position as the gateway to the Asia Pacific. The discussion paper provides a series of recommendations for Council.

The VEDC Board endorses the recommendations outlined in the Asia Pacific Gateway Discussion Paper, and supports the distribution of the paper to City Council as well as key City Staff. The VEDC met with the City Management Team on January 12th to present the discussion paper and receive input on the recommendations.

The VEDC will be distributing the paper to a broader audience of interested stakeholders, including other levels of government, relevant industry groups, and the media. This will be done at the beginning of February 2007.

DISCUSSION

Please refer to the VEDC Pacific Gateway Discussion Paper in Appendix A.

FINANCIAL IMPLICATIONS

There are no financial implications.

CONCLUSION

This report provides Council with the VEDC’s Pacific Gateway Strategy discussion paper, requests Council approval of the recommendations made within the paper in principle, and requests that Council direct City Staff to work with the VEDC to incorporate in City Studies and initiatives, where possible, the recommendations made in the Pacific Gateway Strategy discussion paper.
APPENDIX A: Pacific Gateway Strategy discussion paper
EXECUTIVE SUMMARY

The rapid economic growth of China, India and other parts of Asia is reshaping global trade flows, and the opportunities and challenges facing all trading nations, including Canada. The Pacific Rim is poised to be the principal region to drive global growth and development in the 21st century. Against this backdrop, the Asia Pacific Gateway and Corridor has become a major conduit for enhanced trade throughout the Pacific Rim.

The Asia-Pacific Gateway and Corridor represents a significant economic opportunity for the City of Vancouver. Expansion of the Pacific Gateway, and Vancouver’s role as a global trade and logistics hub, is consistent with the City’s “Guiding Principles” for Economic Development adopted by City Council.

In this discussion paper, the Vancouver Economic Development Commission (VEDC) outlines how the City can lever its position in the Pacific Gateway to be the key North American hub and global logistics centre for trade, travel and commerce.

The Vancouver Economic Development Commission presents the following recommendations for Vancouver City Council’s consideration, to provide strategic focus to capitalize on the economic opportunities presented by embracing the Asia Pacific Gateway initiative.

RECOMMENDATIONS:

1. Partner with the Federal and Provincial Governments.
2. Ensure that the City’s transportation priorities support the Asia Pacific Gateway and corridor development.
3. Proactively encourage an efficient internal transportation network that establishes goods movement as a priority above the private automobile.
4. Speak up for the Asia Pacific Gateway and corridor and work regionally to encourage support and joint planning.
5. Understand the logistics cluster land use needs and employment opportunities and use planning and zoning tools to protect supporting lands and corridors for future use.
6. Consider the impact of property taxes on infrastructure providers.
7. Learn from the “best practices” of other global logistics centres.
8. Provide VEDC with a specific mandate to strategically target this opportunity with partners.
9. Include the VEDC as a strategic partner when building upon the City’s existing relationships with Asia.

INTRODUCTION TO PACIFIC GATEWAY

The rapid economic growth of China, India and other parts of Asia is reshaping global trade flows, and the opportunities and challenges facing all trading nations, including Canada. The Pacific Rim is poised to be the principal region to drive global growth and development in the 21st century. Against this backdrop, the Asia Pacific Gateway and Corridor has become a major conduit for enhanced trade throughout the Pacific Rim.

The Asia-Pacific Gateway and Corridor (hereafter referred to as the Pacific Gateway) is a network of transportation infrastructure that unites Asian and North American markets. It stretches across Asia to the B.C. Lower Mainland and Prince Rupert ports, extends through western Canada and south to the United States. It is a network that links ports, rail lines, roads, key border crossings, and major Canadian airports into a seamless transportation system that serves all of Canada, and is focused on trade with the Asia-Pacific region. It is a system that employs hundreds of thousands of people, contributes billions of dollars to the economy and provides tax revenues to hundreds of communities.

The federal and BC provincial governments have recognized the critical importance of the Pacific Gateway to Canada's global economic competitiveness and future economic prosperity. Together they have committed significant funding, along with the private sector, to enhance transportation infrastructure along the Pacific Gateway corridor in British Columbia.

In the midst of this global infrastructure corridor sits the City of Vancouver – a critical hub in the midst of a powerful network and a community well positioned to obtain substantial benefits from this competitive advantage.

The challenge for the City of Vancouver is to understand this vital role in the Pacific Gateway and to maximize the benefits that arise from this opportunity, and mitigate any negative effects.

In this discussion paper, the Vancouver Economic Development Commission (VEDC) outlines how the City can lever its position in the Pacific Gateway to be the key North American hub and global logistics centre for trade, travel and commerce, in a fashion consistent with the City’s “Guiding Principles for Economic Development”.

GUIDING PRINCIPLES FOR ECONOMIC DEVELOPMENT

In July 2006, Vancouver City Council approved six guiding principles for economic development that provide strategic direction to the City, and guide city planning and decision making about economic priorities and strategies. The principles state that Vancouver will:

1. Establish a competitive business climate that puts the city ahead of competitor jurisdictions;
2. Identify, grow and build world-class export-oriented industry clusters that contribute to a diverse and resilient economy;
3. Make investments in infrastructure that are strategic, sustainable, and focused to deliver economic returns to the city;
4. Maintain a high quality of life that attracts and retains skilled and talented workers required to drive the city’s economy;
5. Provide regional leadership for economic development;
6. Be a global leader in sustainability practices, balancing social, environmental and economic considerations for the benefit of both residents and businesses.

VEDC is presenting this discussion paper to City Council, together with nine recommendations in the context of these Guiding Principles. In short, the Pacific Gateway concept advances Vancouver’s economy in ways that are consistent with the Guiding Principles.

“Improving our international transportation and trade links will lead to more business opportunities and jobs for British Columbians and all Canadians.”

- Prime Minister Stephen Harper, October 2006
WHY SHOULD VANCOUVER CARE ABOUT THE PACIFIC GATEWAY?

Simply put, the Pacific Gateway is a major economic driver for the city, supporting a significant number of well-paying jobs, and providing a strong tax base to support the public services and amenities that contribute to Vancouver’s exceptional quality of life.1

► The Pacific Gateway provides economic benefits to Vancouver. The Pacific Gateway supports more than 27,000 jobs in the city of Vancouver, provides more than $1.3 billion in wages and salaries, adds over $1.6 billion to GDP and contributes more than $2.6 billion to output. The wages and salaries paid within the Pacific Gateway are also 52% higher than the provincial average, allowing most employees to live, work and play within the city itself.

► The Pacific Gateway’s property tax revenues provide valuable services to the community. Direct property tax revenues to the City of Vancouver generated by the Port of Vancouver alone exceed $20 million annually or 4% of the City’s revenue from property taxes. While the goods are transported through and beyond the City, the significant infusion of tax revenues allows the city to provide parks, bicycle paths, arts and entertainment facilities and other services that support a high quality of life.

► The Pacific Gateway’s cruise industry, airport, rail and ferry support services help maintain a vibrant downtown. The cruise industry provides more than 10,000 jobs and $1 billion in economic output to the City’s downtown core. It provides opportunities for small and medium-sized enterprises to build profitable businesses and for a diversity of entertainment and nightlife to flourish. Future growth in the services that more broadly support the Pacific Gateway will add to this downtown vibrancy.

► The Pacific Gateway’s activity adds to the vibrancy of the City. Container ships, break bulk carriers, barges and cruise ships plying their trade in English Bay, False Creek and Burrard Inlet all add to the vibrancy of Vancouver and provide a daily reminder of Vancouver’s global connections. Visitors and residents alike enjoy the opportunity to watch the industrial activity on the waterfront and along the waterways. As well, rail travel on Via Rail, AMTRAK and Rocky Mountaineer provides additional opportunities for enjoyment of the City and an increased quality of life for the region.

► The skilled and talented employees of the Pacific Gateway add to the diversity of the City and make Vancouver one of the “creative” capitals of North America. The Pacific Gateway balances economic development with opportunities to live, work and play.

► The Pacific Gateway provides benefits to the region and beyond. Across the region the Pacific Gateway supports more than 55,000 jobs, provides more than $3 billion in wages and salaries, adds over $3.2 billion to GDP, contributes more than $9.2 billion to output and adds more than $763 million in tax revenues for all levels of government. While the City is the major beneficiary of those benefits, the Pacific Gateway’s economic benefits reach across the Lower Mainland, into the province’s heartland and stretch across the West. The federal and provincial governments have recognized the critical importance of the Pacific Gateway to Canada’s global economic competitiveness and future economic prosperity. Together they have committed significant funding, along with the private sector, to enhance transportation infrastructure along the Pacific Gateway corridor in British Columbia.

► The Pacific Gateway enhances the City’s international profile. The city’s profile is enhanced significantly by the promotional efforts undertaken by organizations such as the Port of Vancouver and the Vancouver International Airport Authority in their efforts to raise awareness of the strength and benefits of the Pacific Gateway. The city has a world-wide reputation as a major Pacific port that helps support our efforts to be known as a global business centre as well as a travel destination and liveable community.

THE OPPORTUNITY: CREATING A WORLD CLASS LOGISTICS HUB

The Pacific Gateway represents an opportunity that extends beyond transportation infrastructure – Vancouver is well positioned to be a world-class logistics hub that provides high-value logistics services such as trade financing and insurance, logistics management, and marketing.

To grow and build world class industry clusters that contribute to a diverse and resilient economy is a key component of the City’s Guiding Principles. Logistics, comprising air, sea and land transport, is a US $20 billion per year global industry that is growing at rates of 5 to 10% annually. Over the years the industry has evolved in sophistication, with service offerings ranging from individual transport and storage solutions to customized, integrated supply chain management services.

Singapore, Hong Kong, Rotterdam, Dubai and New Jersey form a world-wide network of major logistics centres. Vancouver is well positioned within the Pacific Gateway to become “the” west coast centre for commerce and logistics.

1 All figures in this section are sourced from “Port of Vancouver Economic Impact Update, May 2005”, unless otherwise noted.
WHY DOES THE OPPORTUNITY EXIST FOR VANCOUVER AND THE GVRD?

The Pacific Gateway’s services impacts are significant, strategic and growing. Professional services for financing, logistics, and marketing are increasing rapidly within the city. International education programs with close ties to Asia are growing. Legislation that designates Vancouver as an International Financial Centre, an International Maritime Centre and other related activities provide additional economic benefits that add significantly to the city’s employment and tax base. The Vancouver International Airport is the sole direct entry point to Asia in Western Canada at this time, with traffic levels over 16 million travellers per year and has significant growth potential.

Vancouver has geographic advantages and a long history as a transportation portal. The motto on the City’s coat-of-arms “by land, sea and air” reflects the city’s long standing role as a transportation gateway. Today, Vancouver is the closest major North American port to Asia, with the added advantage of a protected deep water harbour and access to integrated ground and air transportation networks that connect Vancouver to major markets in North America and around the globe.

Vancouver shares similar attributes to Singapore, one of the world’s leading trade and logistics centres. Vancouver has many of the same strengths as Singapore, including: world leader in internet communications technology and government e-commerce; stable political, economic and social regimes; highly educated workforce; strong legal system; positive tax structure; growing financial services and a destination for major international conferences.

Our city also shares Singapore’s challenges of higher business costs, small geographic space and domestic market, fragmented industry that lacks scale, underdeveloped logistics cluster, shortage of specialized logistics professionals and insufficient technological capabilities to carry out the full range of supply chain management functions. Singapore has aggressively worked to develop and build its capabilities to become a world logistics centre and Vancouver can follow Singapore’s lead in taking on that leadership role in North America.

WHAT ARE THE KEY STRATEGIES TO CAPITALIZE ON THE OPPORTUNITY?

Growth within the Pacific Gateway is expected to more than double the economic impacts on the community. The Pacific Gateway is expected to capture 17% of the west coast bound container traffic by 2020 or 9 million containers, a total more than four times the present traffic levels. Airport passenger traffic is expected to almost double to 28.4 million passengers by this time. Employment, income and property tax revenues to the City are expected to more than double over that period and the Pacific Gateway will contribute more than $100 million annually in direct tax revenues to the community. To capitalize on this forecasted growth we will need to do a number of things:

• **Build an integrated logistics hub.** As an effective global logistics hub, Vancouver needs to be a “nerve centre”, creatively controlling and managing activities and assets of global supply chains across an extended geography. Vancouver will need to combine its physical hub capabilities with knowledge-intensive supply chain management skills and technologies. Vancouver will need to build upon its world class port handling facilities to establish excellence in ship registry, ship repairs, logistics and IT, along with the “softer” aspects of transport and logistics services and human resources sectors.

• **Develop innovative ways to create integrated supply links.** Achieving productivity gains through increased integration in the transportation system as it relates to global supply chains is a major driver for a gateway approach. Much of the future for a logistics hub lies in controlling and optimizing the flow of cargo via information management. The City can flourish using transportation demand and supply management tools and lean enterprise techniques to improve traffic flow, developing new technology to improve the use of space and ensure effective internal distribution systems exist to maintain efficient traffic flow.

• **Expand the international capacity for mind and matter.** Increasing education and financial services, attracting regional shipping headquarters and providing all-round services and facilities for ship management and operations is critical to maximizing the benefits of the Pacific Gateway.

• **Attract regional headquarters and international organizations to Vancouver.** As a regional centre for excellence in transport, logistics and supply chain management research and education, Vancouver could attract new regional offices and international organizations and become a congregation place for key firms and research organizations.

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2 Source: Pacific Gateway Strategy Action Plan, April 2006
KEY ISSUES: STRATEGIC INFRASTRUCTURE INVESTMENT, SUSTAINABILITY AND LEADERSHIP

The key to sustaining the transportation and logistics cluster as an economic driver is a seamless transportation network. The economic power of the Pacific Gateway is driven by an integrated road, rail, sea and air system that allows goods to move freely and be distributed across the region. Goods movements have more than doubled since 1991 and are anticipated to increase a further 56% for trucks and 62% for rail by 2025. Without an expansion in infrastructure and operating hours, the Pacific Gateway’s economic value will decline dramatically. The cost of congestion alone in terms of lost economic productivity is estimated to be $1.3 billion annually\(^1\) and a significant portion of those losses will flow to the City in terms of lost economic opportunity, higher greenhouse gas emissions and a lower quality of life.

There is increasing traffic congestion, as manufacturing growth is driven eastward to the Fraser Valley because of constrained supply and rising land values in Vancouver. Many of these firms export products, or bring in supplies from overseas. Because they can no longer locate in close proximity to the Port of Vancouver, there are more trucks on our regional roads, moving goods and supplies between the Port and the manufacturing operations. As well, there is recognition that increased congestion may increase the amount of greenhouse gas emissions and it increases the cost of doing business located within the city itself. The City cannot afford to lose investment because neither its goods nor its workers can move efficiently across the region.

The city is the hub of the Pacific Gateway. The city is a critical node in the Pacific Gateway and an essential component of an efficient and effective national infrastructure corridor. City decisions with respect to transportation corridors, industrial land use and waterfront development will have significant impacts upon the community, upon the region and upon the country. Positive decisions can help to enhance the Pacific Gateway, while negative decisions will drive business and opportunity from the city, the region and the country. The key for the City is to ensure that it can maximize the benefits arising from its crucial position and meet its sustainable development objectives while maintaining the benefits for the Pacific Gateway across the region and across the country.

WHAT HAPPENS IF WE DO NOTHING?

Growth of Asia Pacific trade will happen, with or without Vancouver. Residents, businesses, and government all stand to gain from this trade if we embrace the opportunities for economic growth, and make the necessary decisions to support economic expansion in the transportation and logistics sector. If we choose to do nothing, the opportunity will be lost – there is no shortage of competitive jurisdictions that will gladly reap the economic benefits, should Vancouver turn its back on becoming a global trade and logistics centre. But, perhaps more importantly, doing nothing will eventually compromise the quality of life that we value so dearly in Vancouver. Transportation demand will continue. Congestion may compromise air quality, a declining tax base will affect the City’s ability to pay for public services and amenities, and lack of economic opportunity will drive our skilled workforce to seek their fortunes elsewhere.

“Congestion is having an increasingly negative effect on BC’s economy, communities and families. The Gateway Program is a wide-ranging plan to meet the needs of our growing economy, increasing Asia-Pacific trade, and a growing population.”

-Premier Gordon Campbell, January 2006

\(^1\) Source: Canada’s Pacific Gateway, January 2005.
RECOMMENDATIONS: WHAT NEEDS TO BE DONE

The Asia-Pacific Gateway and Corridor represents a significant economic opportunity for the city of Vancouver. Expansion of the Pacific Gateway, and Vancouver’s role as a global trade and logistics hub, is consistent with the City’s “Guiding Principles” for Economic Development.

For this economic opportunity to be realized however, the City of Vancouver must take action. The Vancouver Economic Development Commission recommends that Vancouver City Council:

1. **Partner with the Federal and Provincial Governments.** The City should actively partner with the federal and provincial governments under the Asia Pacific Gateway and Corridor Initiative to use a portion of the $9.2 million in planning funds to develop an action plan to make Vancouver a world class logistics centre.

2. **Ensure that the City’s transportation priorities support the Pacific Gateway development and goods movement.** The City controls land-use decisions, transportation investment and property taxes. Council can support investment in expanded container ports and integrated road and rail networks that allow for the free flow of goods, so that our local entrepreneurs can compete globally and our Asian trading partners can continue to use our facilities. These actions will continue to enhance our standard of living, increase our taxes and ensure that economic growth and development does not go to one of our many competitor city ports along North America’s west coast.

3. **Proactively encourage an efficient internal transportation network that establishes goods movement as a priority above the private automobile.** Urban transportation is essential for moving goods — directly through better roads and rail, allowing for inter-modal connections between Vancouver’s ports and the area’s airports, road and rail yards; and indirectly because good public transportation and longer operating hours reduces road congestion and makes goods movement more efficient. The City can show leadership in promoting the greatest possible use of intelligent transportation systems, grade separation of road and rail, and proper transportation demand/supply systems to ensure efficient goods movement. The City should also continue its current practice of promoting alternatives to single occupancy vehicles such as walking, cycling and transit.

4. **Speak up for the Pacific Gateway and work regionally to encourage support and joint planning.** The Pacific Gateway is an integrated system and the future of the City and region depends upon the existence of an efficient and effective Pacific Gateway network. There is no doubt that regional growth now and in the future can only be sustained with new investment in infrastructure. As population growth in the region outpaces growth in the city of Vancouver, a range of jobs will be created in the region to keep opportunities closer to where people live.

5. **Understand the logistics cluster land use needs and employment opportunities and use planning and zoning tools to protect supporting lands and corridors for future use.** By retaining industrial land and supporting innovative land use options, the City of Vancouver can support the vital role the Pacific Gateway plays, including transportation networks, logistics and advanced manufacturing in the fabric of the City. Vancouver must ensure preservation and protection of large scale industrial land holdings remain a key element of long-term strategy and land use planning. New ways need to be found to integrate industrial and commercial land in productive ways.

6. **Consider the impact of property taxes on infrastructure providers.** While significant public investment has been made into BC’s transportation infrastructure, the effectiveness of this investment is levered by investment from the private sector into rail, air and port facilities. Property tax policy can have a significant impact on future investment into these key assets.

7. **Learn from the “best practices” of other global logistics centres.** Other world cities, with much longer histories than Vancouver, have built successful logistics hubs by adapting to their unique circumstances in order to address barriers to growth. For example, Rotterdam has “high density”, multi-storey warehouse facilities that make more intensive use of land while preserving heritage areas. The City can learn from these centres by visiting their logistics hubs and gaining first-hand knowledge of how other centres have addressed some of the challenges that may face Vancouver.

8. **Provide VEDC with a specific mandate to strategically target this opportunity and work with partners (including the Vancouver International Airport Authority, the Port of Vancouver, universities and colleges, the federal and provincial governments, and other GVRD municipalities) to attract and grow the trade and logistics cluster.**

9. **Include the VEDC as a strategic partner when building upon the City’s existing relationships with Asia.** Vancouver has extensive connections to Asia through our large Asian population and our sister city relationships. VEDC can provide an economic perspective to these relationships, recommend criteria for evaluating new sister city relationships and can add value to visiting delegations and external missions.