

# Announcing Foreign Trade Zone Point Designation for

**VANCOUVER ISLAND, BC**

2018



**VANCOUVER ISLAND**

ECONOMIC ALLIANCE



# What's the point?

**Who...** FTZ-VI will serve import/export interests of Island businesses and transportation providers with all the advantages afforded FTZ Points by the Government of Canada.

**What...** FTZ Point designation enables aggressive marketing of the Island region to attract international trade activity and expansion of Vancouver Island production of goods for export. FTZ-VI will also be able to provide streamlined access to government programs to improve trade.

**Where...** FTZ-VI will serve all of Vancouver Island wherever opportunity exists to expand international trade and attract foreign investment. These opportunities are likely to be concentrated wherever industrial land and transportation infrastructure is strong. The FTZ-VI office will be centrally located for easy access.

**When...** FTZ-VI will be up and running sometime in 2018. VIEA began its efforts to support advanced manufacturing and develop a comprehensive plan for intermodal transportation in 2014. The FTZ-VI application was submitted in June 2017.

**Why...** With significant inventory of under-utilized industrial land, transportation infrastructure to handle 10 times the current volume of goods, and a global reputation for our enviable lifestyle, Vancouver Island is poised to play a larger role as part of the Asia-Pacific Gateway. Easy access to tax and duty deferral programs will improve the scope of import/export opportunities on the Island and improve cash flow and competitiveness for companies importing and exporting.

**How...** With core funding from three levels of government along with substantial stakeholder partnerships with industry and transportation, FTZ-VI will function as the 'go to' resource to promote and facilitate international trade on Vancouver Island.

**FTZ-VI...** is unique amongst the eleven FTZ Points across Canada. It is the only broad regional designation and the only designation awarded to a non-government organization. All others have been awarded to municipalities. FTZ-VI is also the only FTZ Point west of Quebec with direct access to ocean transport.

'British Columbia will continue to be a leader in Canada in breaking down barriers to business and trade and supporting the export capacity of BC businesses.'  
— pg. 48, BC Jobs Plan: 5-year Update

## Overview

The Vancouver Island Economic Alliance (VIEA) is unique in British Columbia as the only non-government, non-profit registered society with the singular mandate to facilitate vitality and sustainability for an entire regional economy.

VIEA celebrates its 12th anniversary in 2018 and during these twelve years, the Alliance has built a reputation for representation of the broad economic interests of communities, businesses, institutions, and First Nations from one end of the Island to the other.

Foreign Trade Zone designation for Vancouver Island (FTZ-VI) follows a natural progression of priority projects championed by VIEA on behalf of stakeholders Island-wide to mature and diversify a sustainable Island economy.

This new FTZ Point will specifically facilitate broad opportunity and deep market penetration to increase manufacturing and expand import/export activity internationally.

## An Economic Priority for the Region —as identified by local/provincial governments



The Economic Alliance (VIEA) has broad support across regional and municipal jurisdictions on Vancouver Island for initiatives to: facilitate expansion and diversification of the advanced manufacturing sector and international trade; increase production and distribution of agri-food and seafood products; expand and diversity value-added wood manufacturing; build capacity to retain college and university students graduates enhance connectivity and utilization within the Island's intermodal transportation system; and facilitate aboriginal and non-aboriginal business partnerships; etc. These VIEA priorities are all key growth sectors in the BC economy.

Advanced manufacturing, for instance, was identified as one of nine key sectors in the BC Jobs Plan (Updated in 2017). A focus on the importance of advanced manufacturing to the Island economy provided by VIEA at the 2015 Economic Summit helped local and provincial governments to recognize the significance of these companies in their jurisdictions and to begin seeking ways to support them. Advanced manufacturing has quietly become a \$1 billion sector on Vancouver Island.

...a single FTZ on Vancouver Island will function with ultimate efficiency and be in position to market Vancouver Island

Priorities at the local government level are, without exception, focused on attracting family-sustaining jobs by bolstering, diversifying and modernizing traditional Island industries while attracting new enterprises to occupy a significant inventory of under-utilized commercial/industrial lands. For instance, the Cities of Nanaimo, Campbell River and Port Alberni along with the Cowichan Valley Regional District have priorities to develop wood manufacturing business clusters and have made financial contributions to VIEA's Wood Industries Initiative that developed business cases for new manufacturing opportunities.

Foreign trade is critical to achieving success in this and other priority areas because cost-effective access to markets is an essential component in industrial business planning.

The social benefits alone of increasing export productivity and thereby creating a range of family-supporting jobs are aligned with local government priorities. For instance, child poverty in Canada is 14%. In BC, child poverty is 20%. On Vancouver Island it is 21%. Thus, increasing employment opportunities can spur increased access to skills training, and a higher workforce participation rate.

## What's the point?

When industry hits a snag in import/export activity, it can be time consuming, complex and expensive to find solutions. FTZ-VI will have direct access to government support to solve problems on behalf of Island stakeholders.

**Duty Relief Program** - relieves the payment of duties on imported goods that will eventually be exported either in the same condition or after being consumed, expended or used in processing other goods. This can have significant cash flow benefits for Island manufacturers.

### **Has there been an indication from the affected municipalities that establishing an FTZ is an economic priority for them?**

Yes. Affected municipalities universally agree that increasing jobs, optimizing commercial/industry land use, and improving the economy are priorities and that specific global marketing efforts such as those enabled by having an FTZ-VI point will help in branding Vancouver Island as a favourable place to do business.

### **Could the establishment of an FTZ Point cause intensified competition between certain municipalities with competing interests? How can this be dealt with? How will VIEA designate which municipalities will be the recipients of certain investments if several municipalities have competing interests, for example wood manufacturing in Nanaimo, Campbell River, and Port Alberni?**

'Wood manufacturing' is a perfect example. In 2017, VIEA commissioned and completed a research project to develop three business cases for new wood product manufacturing on Vancouver Island. With no indication

or guarantee regarding where these new factories might be located if investment could be found, the cities of Nanaimo, Campbell River, and Port Alberni each provided funding towards the project along with the Cowichan Valley Regional District, Nanaimo Port Authority, Port Alberni Port Authority, Britco, Island Coastal Economic Trust and Harmac Pacific.

Broad buy-in exists amongst Island municipalities to the belief that ‘whatever is good for any part of the Island is good for all parts of the Island.’ Municipalities understand that ‘together we’re better’ and that in the global marketplace we are in competition with everyone else in the world and cannot succeed if we are sniping at each other. Having said this, certainly there will be competition amongst stakeholders wishing to attract prospective investors. We will deal with this in exactly the same way as we have with our Wood Industries initiative.

For instance, these three business cases for new value-added wood manufacturing on Vancouver Island were publicly released at VIEA’s 2017 Economic Summit and made available so that anyone interested may use the business cases to match their community attributes with the industry needs expressed in the business cases. Whether one of these new industries situates in Chemainus or Port McNeill will be entirely dependent on investor response to the attraction efforts of individual communities. There will be local winners and losers, there always are, but, the Island economy will be none-the-less strengthened thereby increasing the likelihood of future gains for everyone.

This is identical to the competition that naturally occurs within a single municipality amongst property owners. A prospective investor comes to town looking for a certain kind of property and after reviewing the available options, chooses one over others. While only one property owner gets the lease or sale, the community still gains in jobs and taxes.

Simply put, VIEA/FTZ-VI will make all opportunities and investor criteria freely and publicly available so that all local governments will have equal opportunity to respond.

## Private Sector Leadership and Commitment

VIEA consistently engages private sector stakeholders in projects designed to improve the economic climate on Vancouver Island. The very idea of applying for FTZ-VI designation came from a session at the 2015 ‘State of the Island’ Economic Summit focused on improving competitiveness for Island advanced manufacturers.

Over the last three years, the Vancouver Island Economic Alliance has convened a working group including representatives from Nanaimo Port Authority, Port Alberni Port Authority, Nanaimo Airport, City of Port Alberni, Seaspans Ferries, and private enterprise to develop a plan to improve competitiveness and facilitate expansion of export activity on Vancouver Island. Commitment to achieve FTZ-VI designation for Vancouver Island emerged as part of this broader initiative.

FTZ-VI will provide a vehicle to enhance Vancouver Island export potential encompassing the interests of this entire network of industry and community.

Given that FTZ-VI will serve as a ‘single window’ to facilitate foreign trade. And given that our Island has a singular identity that is easily marketed to the world, FTZ-VI will function with ultimate efficiency and be in position to market Vancouver Island as a recognizable destination for Foreign Direct Investment.

Part of the FTZ-VI advantage is that Vancouver Island is a network of trading centres each with access to deep water and airports capable of handling cargo of various descriptions. Immediate access to trans-ocean, short sea shipping and North American rail networks positions FTZ-VI as a key component in Canada’s Asia Pacific Gateway.

For geographical context, The Port of Nanaimo is an hour’s drive by car from Port Alberni and an hour and 15 minutes from Victoria Harbour. Nanaimo Airport is a 90-minute drive from Victoria Airport and 90 minutes from the Comox Airport. Deep water access to industrial land exists up and down the east coast of Vancouver Island in almost every community—Mill Bay, Chemainus, Crofton, Ladysmith, Campbell River, Sayward, Port McNeill, Port Alice, Port Hardy, etc.



Victoria Harbour Causeway and Ship Point



Nanaimo Harbour

Another factor in this regional approach is our observation that a more broadly distributed workforce creates more opportunity for business. A challenge that has now become epidemic is the cost of housing in major centres. The more industry is concentrated in these centres, the harder it becomes to attract qualified personnel from other regions when they look at housing prices.

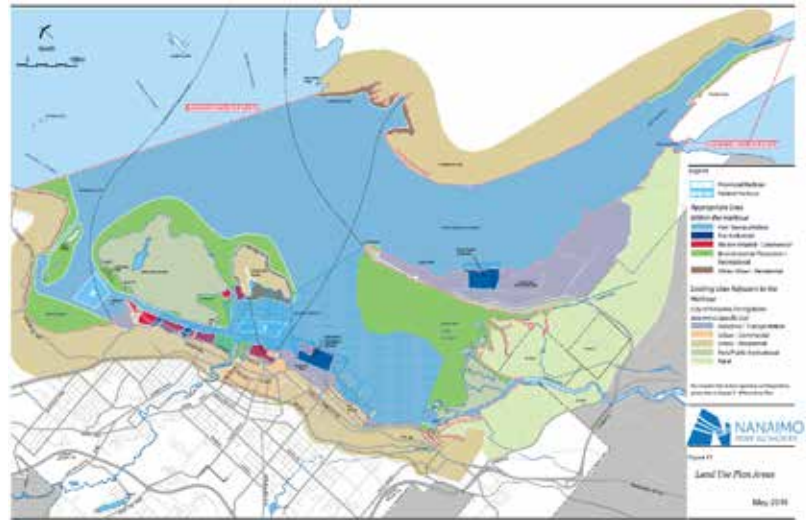
Additionally, major centres such as Vancouver, and even Victoria now, are experiencing something of an industrial land crisis. Property values especially for waterfront, have become so valuable for residential

With a singular mandate to help ensure a vital and sustainable economy for all of Vancouver Island, Vancouver Island Economic Alliance (VIEA) represents the interests of all sectors, public and private, including First Nations, and has a reputation for collaboration, pragmatism, and quality results.

Announcement of FTZ-VI



development that industry is being squeezed out. Realizing potential for industrial expansion in communities throughout the Island can alleviate some of this stress while dramatically increasing the GDP of Vancouver Island.



Nanaimo Port Authority Land Use Plan

It is estimated that Vancouver Island contributes 13-14% (\$30 billion) of the BC GDP. Thus, an increase of 3% to the Island’s GDP of \$30 Billion is about \$1 billion. The 10-year goal of FTZ-VI will be to increase the Island’s GDP by 10% from \$30 to \$33 billion. In real dollars—increase the Island’s contribution to BC’s GDP to 15%.

Our success in gathering broad ‘private sector leadership and commitment’ hinged on the compelling strength of our inclusive ‘Island Region’ approach. An FTZ-VI office located centrally will easily address the needs of all Island stakeholders given that the vast majority will be within 60-90 minutes by car.

Another part of this reasoning is that existing Island-based exporters, available land to support growth, and the intermodal transportation network serving their needs are disbursed throughout multiple Island communities that alone, could neither justify nor afford development of a Foreign Trade Zone Point.

**These private sector organizations provided letters of support for the formation of FTZ-VI.**

- Quester Tangent Corporation
- Coulson Group
- Western Forest Products Inc.
- Royal Bank of Canada
- Seaspan Ferries Corporation
- Badinotti Net Services Canada Ltd.
- San Industries Ltd.
- Community Futures – Central Island
- Community Futures – Alberni-Clayoquot

Community Futures – Cowichan  
Greater Victoria Chamber of Commerce  
Nanaimo Chamber of Commerce  
Parksville & District Chamber of Commerce  
Duncan Cowichan Chamber of Commerce  
South Island Prosperity Project (with 17 private sector partners)

\*VIEA has more than 100 private sector members across Vancouver Island.

## Dedicated Governance Body —through legislation/incorporation

The Vancouver Island Economic Alliance is the dedicated governance body to administrate FTZ-VI.

VIEA is a non-government, non-profit society registered in the province of British Columbia since January 2007 and is the body responsible for raising the question of developing supports for the advanced manufacturing sector on Vancouver Island so as to improve competitiveness and facilitate growth of the region's Asia/Pacific export potential.

Since 2014 VIEA has been engaging stakeholders with an objective to develop an intermodal transportation plan (<https://www.youtube.com/watch?v=8sHnfcygm0&feature=youtu.be>) to take advantage of the Island's unique positioning for export along the west coast of North America and across the Pacific.

Since 2015 VIEA has been working with stakeholders identifying opportunities to increase the competitiveness of Island manufacturers and to explore potential for developing a Foreign Trade Zone (FTZ) Point on Vancouver Island.

The Vancouver Island Economic Alliance is widely recognized as the ideal organization to be the dedicated governance body for FTZ-VI. With a singular mandate to help ensure a vital and sustainable economy for all of Vancouver Island, VIEA represents the interests of all sectors, public and private, including First Nations, and has a reputation for collaboration, pragmatism, and quality results.

VIEA has 170 members including municipalities, regional districts, post-secondary institutions, First Nations, airports, port authorities, professional associations, small businesses and large corporations. The board of directors hail from Victoria to Alert Bay representing multiple sectors and First Nations.

Annually, the Economic Alliance convenes the 'State of the Island' Economic Summit at which some 600 business and community leaders from all over the Island gather to consider emerging trends, learn about new opportunities and explore solutions to nagging problems.



In 2013, VIEA developed the only comprehensive interactive web-based map in Canada to provide immediate access to all of the 50 First Nations on Vancouver Island, their tribal councils, and Aboriginal Friendship Centres.

Visit: <http://viea.ca/business-living-on-vancouver-island/first-nations/>

Announcement of FTZVI



## What's the point?

FTZ-VI designation will help position Vancouver Island as a recognizable brand in markets wherever the BC and Canadian governments have trade agreements and will improve prospects for attracting investment.

**Duty Drawback Program - Refund of customs duties paid for imported goods that will eventually be exported or used in manufacturing and then exported. This benefits businesses that have already paid duties and wish a refund.**

### **Does VIEA have the adequate personnel / capacity to be the central contact agency for future business inquiries?**

Yes. VIEA has had Intermodal Transportation and Advanced Manufacturing in its long-range plans since 2014. As an independent, VIEA has proven organizational capacity to accommodate a broad-range of short and long-term projects and to expand capacity to manage permanent economic development functions such as FTZ-VI. VIEA personnel have vast experience building organizations from the ground up and shepherding them towards mature and effective operations. Personnel specific to the operation of FTZ-VI will be recruited.

## Having secured local and provincial government support to participate in the task force...**the following local government and quasi-government organizations provided letters of support for the formation of FTZ-VI.**

- |   |  |
|---|--|
| Association of Vancouver Island and Coastal Communities | South Island prosperity Project (representing 12 municipalities and First Nations)   |
| Naut'sa mawt Tribal Council                             | <ul style="list-style-type: none"> <li>• City of Colwood</li> <li>• City of Victoria</li> <li>• District of Central Saanich</li> <li>• District of Highlands</li> <li>• District of North Saanich</li> <li>• District of Oak Bay</li> <li>• District of Saanich</li> <li>• Town of Sidney</li> <li>• Town of View Royal</li> <li>• Town of Esquimalt</li> <li>• Songhees First Nation</li> <li>• Tsawout First Nation</li> </ul> |
| City of Nanaimo   |  |
| City of Parksville                                      |  |
| City of Campbell River                                  |  |
| City of Port Alberni                                    |  |
| Town of Ladysmith                                       |  |
| District of Port Hardy                                  |  |
| Cowichan Valley Regional District                       |  |
| Regional District of Strathcona                         |  |
| Kawat'si Economic Development Corporation               |  |
| Nanaimo Airport   |  |
| Comox Valley Airport                                    |  |
| Nanaimo Port Authority                                  |  |
| Port Alberni Port Authority                             |  |
| Greater Victoria Harbour Authority                      |  |

\*VIEA has more than 30 public sector and First Nation members across Vancouver Island.

- Regional District of Mount Waddington
- Regional District of Nanaimo
- Town of Port McNeill
- Town of Qualicum Beach
- Town of Comox
- District of Tofino
- District of Ucluelet
- District of North Cowichan
- Village of Cumberland
- Esquimalt FN
- Huu ay aht FN
- Mowachaht/Muchalaht FN
- Naut'sa mawt Tribal Council

## Favourable Business Environment

One of the geographical and psychological advantages of being an Island is that the spirit of collaboration for mutual benefit is tangibly stronger than in many other jurisdictions. Thus, there is general implicit and explicit understanding that what is beneficial for any part of Vancouver Island is beneficial for every part of Vancouver Island. 'We're in this together!' And because dwelling on an Island tends to bring out self-sufficiency in people, the Island economy is more diversified than in some jurisdictions elsewhere in the province.

The Island economy has been diversifying traditional dependence on resource industries over the last three decades and, in this continuing climate of adjustment, the entrepreneurial spirit is emerging driven and strong. Technology, advanced manufacturing, agri-foods, sea foods, value-added wood manufacturing, and post-secondary education are growth areas and because of the significant change in the complexion of primary forest industries, Vancouver Island boasts a significant inventory of well-positioned, and under-utilized industrial land. Thus, the zoning, as well as a high degree of social license, already exists for industry. This is critically advantageous because it is clear in many jurisdictions that the process for gaining public acceptance for rezoning to allow industrial activity can be lengthy, expensive, and, most of all, uncertain even though most present-day uses will have significantly less environmental impact than previous uses.

Part of the favourable Vancouver Island business climate, which might be contrary to common perceptions, is the appetite for partnerships amongst First Nation business and economic development organizations. Stories about 'claims' and 'rights' and 'land title' and lots of lawyers tend to dominate in the news. But, 'on the ground' this is juxtaposed by a growing trend of indigenous and non-indigenous business deals.



Clutesi Haven Marina, Port Alberni

The Vancouver Island Economic Alliance has been actively facilitating indigenous business development and First Nations economic development by co-hosting Aboriginal Business Match events on Vancouver Island in 2016, 2017 and 2018 (<http://aboriginalbusinessmatch.com/>) as well as featuring First Nations speakers such as former National Chief Shawn Atleo and Chief Commissioner of the BC Treaty Commission, Sophie Pierre, as keynote presenters at VIEA's annual Economic Summit and by regularly including workshops focused on First Nations economic development and indigenous reconciliation in our Summit agendas.

The Economic Alliance recognizes opportunity for a First Nations parallel and integrated economy that is new, innovative and based on the federal courts direction of First Nations involvement. This will involve the resources controlled by First Nations, building of available human capacity in the fastest growing population on the Island and engaging in social and economic innovation that itself will attract a great deal of attention and potential investments.

Recognizing this opportunity, in 2013, VIEA developed the only comprehensive interactive web-based map in Canada to provide immediate access to all of the 50 First Nations on Vancouver Island, their tribal councils, and Aboriginal Friendship Centres.

It is also commonly recognized that the Island economy still has vast unrealized potential and in this recognition, also exists a common willingness to identify opportunities and develop capacity to affect positive change through collaboration. This, as previously referenced, is frequently demonstrated by stakeholders partnering with VIEA and investing human and financial resources in priority projects such as our Wood Industries Initiative (<http://viea.ca/economic-resources-initiatives/initiatives/forestrywood-industries-initiative/>), Island Good (<https://islandgood.ca/>) our Intermodal Transportation Initiative (<http://viea.ca/economic-resources-initiatives/initiatives/vancouver-island-transportation-forum-plan/>), and the annual Economic Report for Vancouver Island (<http://viea.ca/economic-resources-initiatives/resources/state-of-the-island-report/>), etc. This FTZ designation is demonstrative of this willingness to come together—an explicit acknowledgement that ‘together we’re better!’

## What's the point?

Customs Bonded Warehouses - Companies participating in the Customs Bonded Warehouse Program may qualify for complete deferral of duty and taxes. When goods exit the warehouse, taxes are applicable. If goods are re-exported, there are no duties or taxes. The definition of a 'warehouse' is quite broad and can be located anywhere within the FTZ Point - e.g. anywhere on Vancouver Island!

**A successful FTZ on Vancouver Island will serve to strengthen this established hub of integrated industries supported by intermodal transportation services.**

**What empirical data exists to show the Island offering a favourable business climate such as special municipal tax programs, property taxes, utility rates etc.?**

British Columbia is one of the most business friendly provinces in which to do business. Currently it enjoys one of the lowest corporate tax rates in Canada (Table 1).

**Table 1 - Schedule of 2017 Provincial Corporate Tax Rates**

Province Corporate Tax Rates (%)

British Columbia 11.0

Alberta 12.0

Saskatchewan 12.0

Manitoba 12.0

Ontario 11.5

Quebec 11.8

New Brunswick 14.0

Nova Scotia 16.0

Prince Edward Island 16.0

Newfoundland & Labrador 15.0

Municipal taxation has come under scrutiny in the recent past. In a 2011 study of the impacts of Taxation on major industrial property, points specific to the industry on Vancouver Island were made:

In British Columbia, annual property tax costs are the product of the taxable assessed value multiplied by The applicable tax rates. The taxable assessed value and property classification are determined by BC Assessment, an independent crown agency, legislatively mandated to assess all property throughout British Columbia at its actual value and on a fair and equitable basis. Tax rates are set by the province, Municipalities and a number of other taxing jurisdictions. The BC system is distinctive in that assessment of major industrial improvements (buildings & other components) is based not on market value, but rather through utilization of a costing manual, commonly referred to as the Major Industrial Property (MIP) manual. The costs estimated from the MIP manual are depreciated at

legislated annual depreciation rates that range From 4% to 6.5%. In the instance of an operating major industrial plant the annual depreciation is capped at A maximum of 80%. Assessment values are adjusted each year by a cost factor based on trends in changes In reproduction costs of the assessable assets. It is noteworthy that the current major industrial system Assessment does not reflect increases or decreases in value as a result of commodity price changes.

Class 4 tax rates are set by individual municipalities. Properties outside of municipal areas are taxed at standardized provincial rates except in Peace River, and these properties are also taxed by the regional districts at rates that differ according to the services provided. The 2011 study concluded that municipal taxation did not contribute significantly to overall costs, are not a significant factor in decisions on capital purchase or do not affect decisions on reinvestment in existing infrastructure.

Regarding competitive utility costs, Vancouver Island has a distinct advantage in that hydro and internet costs are on par with the rest of British Columbia; the price of gasoline at the pump is consistently 6 to 10 cents less expensive than in Greater Vancouver; and in 2016, assisted with advocacy from the Vancouver Island Economic Alliance, FortisBC obtained permission from the BC Utility Commission to amalgamate several of its companies resulting in a progressive lowering or natural gas rates on Vancouver Island to match the lower rates that had been traditional in the rest of BC. Significant in all of this is that Vancouver Island, like the rest of the coastal region of British Columbia, enjoys the mildest weather in all of Canada—making Vancouver Island a preferred destination for international investors—especially from warmer climates such as India, Africa, South America, and South East Asia--because of competitive cost and mild climate.

With the credibility of FTZ Point designation, it is expected that new trade relationships can be developed faster and more profitably.

## Available Land

Changes in resources industries on Vancouver Island have led to a land use gap. Our FTZ-VI Point is part of our response to this change—to repurpose our industrial landscape to be more global in function.

### Commercial/industrial land available at established nodes includes the following.

Table 1 **AVAILABLE LAND** 2017

FACILITY	CONTACT	TITLE	PHONE	EMAIL	COMMERCIAL LAND	INDUSTRIAL LAND
Nanaimo Airport	Mike Hooper	President, CEO	T: 250-245-4191 C: 250-716-6625 F: 250-245-4308	mhooper@nanaimoairport.com	120 ha	3 ha
Nanaimo Port Authority	Bernie Dumas	President, CEO	T: 250-753-4146	bdumas@npa.ca		4.1 ha
Victoria Airport	Geoff Dickson	President, CEO	T: 250-953-7500 F: 250-953-7509	geoff.dickson@victoriaairport.com		0.7 ha
Greater Victoria Harbour	Ian Robertson	CEO	T: 250-383-8300	irobertson@gvha.ca		8.5 ha
Port Alberni Airport	Mark Fortune	Airport Superintendent	T: 250-725-3751	lbairport@acrd.bc.ca		2833 ha (adjacent)
Port Alberni Port Authority	Zoran Knezevic	President, CEO	T: 250-723-5312 F: 250-723-1114	zknezevic@alberniport.ca	6.88 ha	750 ha (designated)
Campbell River Airport	Tyler Masee	Airport Manager	T: 250-923-5012 F: 250-923-5022	tyler.masee@campbellriver.ca		not available
Comox Airport	Fred Bigelow	CEO	T: 250-890-3288 F: 250-339-3082	fbigelow@comoxairport.com		not available

Available commercial/industrial land beyond these nodes is also significant. For instance, the Alberni Valley alone can identify 334 hectares of available industrial land beyond the 2883 hectares directly adjacent to the airport.

The Vancouver Island economy has been transitioning from being dominated by primary resource industries (especially logs, lumber, pulp and minerals) to a diversified base which includes these primary industries along with technical innovation and manufacturing. **All along the Island’s coast are under-utilized industrial lands with deep water access—a result of decades of resources export activity.** Of particular significance is the fact that two of Canada’s 18 Port Authorities operate on Vancouver Island—both with bold strategies for optimizing their deep water potential and building out their industrial lands.



L TO R Port Alberni Airport; Campbell River Airport

Vancouver Island also boasts several airports (Victoria, Nanaimo, Comox, Port Alberni and Campbell River) with developable industrial

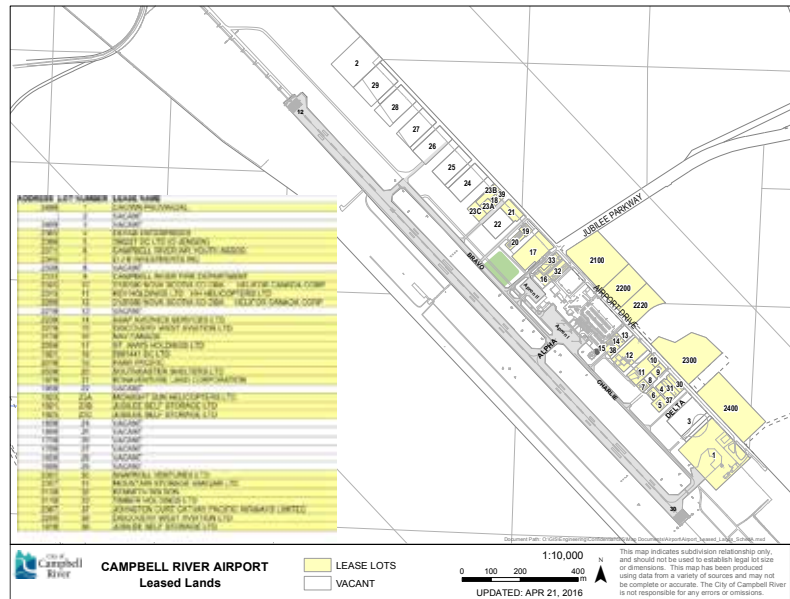
land and cargo capacity. The Port Alberni Airport, for instance, was recently upgraded to support expansion of the Coulson Group and its international firefighting aircraft business.

One of the features that causes Vancouver Island to have unique and significant potential for exponential industrial/export growth is the amount of available industrial land with deep water access. Because of the Island's heavy industrial past with mills of varying description up and down the coast, communities from one end of the Island to the other have significant inventories of under-utilized industrial land with access to deep water and, perhaps most importantly, with long-established social license for industrial activity.

VIEA is working to support industrial growth throughout Vancouver Island and FTZ-VI will be positioned to support the import/export activity essential to such growth.

We think it is important to note that growth trends on Vancouver Island are unlikely to remain geographically static. Industrial decentralization is part of the growth trend largely due to rising property values. This broadens opportunity for rural industrial development that is consistent with land use practices.

Interestingly, this significant, decentralized inventory of commercial/industrial land combined with the issue of housing affordability that influences the availability of skilled labour, gives further credence to the value of a FTZ-VI. Our regional infrastructure is in position to support growth throughout the region in ways that are not and could not be feasible in the confined geography of a single municipality.



## Land Development



Victoria Airport Authority is actively seeking companies to develop vacant land at our premium facility. As a primary economic generator in the region, with a large base of aviation, industrial and hi-tech businesses, the airport is well positioned for further growth. The airport is conveniently positioned on the Saanich Peninsula providing your business with ready access to the highway, BC ferries and air transportation. We offer competitive lease rates and are looking to establish long term relationships with companies who wish to locate or expand their business at YYJ.

The region itself known as a centre for technological innovation, and remains an international tourism destination. Other large industries include post-secondary education, marine use and government. Proximity to Vancouver and Seattle, and its many sea and air links, make Victoria an obvious hub for business development and economic investment, while still offering the quality of life that a smaller city can provide. Many residents commute by foot or bicycle, and enjoy Canada's mildest climate and year-round outdoor pursuits. These factors, along with a beautiful natural setting, make Victoria ideal for employers looking to recruit new talent.

The Airport itself is located approximately 25KM North of Victoria with a direct highway route providing ready access to the urban core. With fantastic local amenities, close proximity to suppliers and transportation, the Airport could be an ideal location to move your business to the next step.

[Review our available land lease opportunities](#)

For information or questions about potential opportunities, please contact:

James Bogusz  
Vice-President Operations & Development  
Phone: 250-953-7570



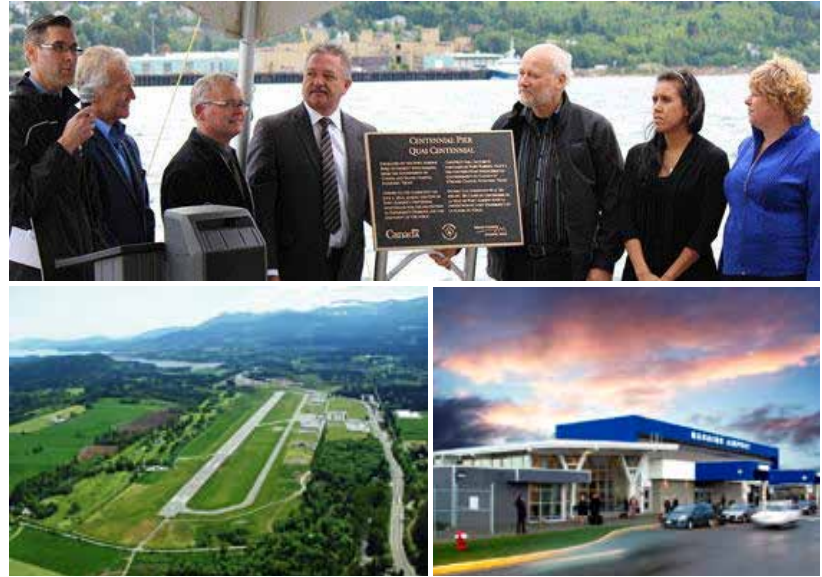
ABOVE FROM TOP Campbell River Airport Leased Lands, Victoria Airport Land Development Document, Victoria Harbour



In a recent sampling of MBA students from across Canada tasked with providing a view of how to retain younger workers on the Island a consensus view emerged that work/life balance was of prime importance. Vancouver Island provides the ideal setting to achieve that work/life balance.

## High Quality Infrastructure

In many ways, Vancouver Island boasts some of the best and most diverse transportation infrastructure in Canada—with significant untapped potential and room to grow. Deep sea ports, ferry terminals, barging and stevedoring capacity, regional and international airports, rail connection to all of North America, and highway system.



TOP Centennial Pier BOTTOM L TO R Runway and Terminal, Nanaimo Airport

We can categorically proclaim that because of the long history of exporting natural resources from Vancouver Island, recent changes in those resource industries, and significant investments to upgrade and expand port, airport, and private infrastructure over the last 20 years (docks, cranes, vessels, runway extensions, technology), FTZ-VI has plenty of capacity to grow export volumes across industry sectors while adding significantly to the Island's \$30 billion contribution to the BC GDP without requiring additional investment for transportation infrastructure, in the immediate term.

Short-sea connections between ports and harbours all along the Island coast and CN Rail with its terminus at the Fraser River links all of North America with Vancouver Island.



ABOVE Seaspan Terminal at Duke Point

## What's the point?

Export Distribution Centre Program - Provides relief of cash flow cost incurred by export businesses that add limited value when processing or distributing goods such as relabeling, repackaging, assembling or disassembling, inspecting, cleaning, etc.. This especially benefits companies, for instance, that are importing goods and/or acquiring goods in Canada without paying GST/HST as long as the goods are later exported.

Through initiatives developing business cases, the Economic Alliance has begun the work of FTZ-VI before receiving this designation. Now a complete portfolio of trade and investment opportunities will be developed and aggressively marketed internationally.

Can VIEA provide more data/statistical information on Vancouver Island's infrastructure relating to annual capacity, use, and condition of infrastructure?

Yes. Nanaimo Port Authority tracks its two main shipping facilities, Nanaimo Assembly Wharves (NAW) Berths B & C, and Duke Pt Terminal.

The serviceable NAW facilities (B/C berth combined) have grown from 123 days use in 2015, to 283 days use in 2016. These international cargoes were shipped direct by deep sea vessel to China, Korea and Japan.

For planning purposes they use 21 days per month as a metric to measure utilization to be prepared for growth, having said this utilization on B berth in 2016 = 72%, and NAW C berth = 40%.

The NAW facilities were originally built in the 1960's and are timber pile finger pier docks in fair to good condition. They have however not been using NAW A berth as a result of costly upgrades.

Duke Pt Shipping terminal deep sea vessels are approximately at berth 12 days per year (2016) of international import cargo, however this berth has been highly occupied with short sea shipping of containers.

This facility is in good condition, caisson built with high berth face weight capacity, with both a 100mt mobile harbour crane, and gantry crane. It is only in the last two years that international vessels have considerably reduced calling Duke Pt as a result of low cargo volumes, however the facility is fit to handle deep sea ships for international cargoes.

Since 2012 the Duke Pt terminal has been operated by DP World, and a load on load off short sea shipping container operation has service running from Duke Pt to Centerm/return. The barge has capacity for 135 – 40' containers, and runs one, two and sometimes three days per week. Short sea shipping volumes for containers see below.

Total TEU 2014 = 25405.5  
Total TEU 2015 = 35335.5  
Total TEU 2016 = 43023.75

In addition to the deep sea facilities, the NPA also operated a barge ramp at Duke Pt. This ramps primary use is to ship recycled steel products off the island to Seattle/Tacoma. Cargoes from the ramp for these commodities into the US were:

2015 – 21,056.37 mt  
2016 – 28,880.44 mt  
2017 – 31,516.67 (to end of July 2017)

At the Port Alberni Port (PAPA), the warehouses are metal framed tin clad buildings with multiple high height bay doors.

Considering the state of Berths I and 2 the current FTZ application should only plan on berth 3 lumber export capacity. Maximum capacity is somewhat difficult to quantify but we can safely say PAT would be able to efficiently handle twice the lumber export capacity that was moved in 2016: 84,000 metric tonnes. Is, of course, is provided that suppliers streamline their delivery systems. PAPA received 2 million foot board, just over 2700 metric tonnes, to the lumber yard by truck in one day and that shows in receiving capacity.

On a daily basis, hundreds of containers arrive on Vancouver Island shores filled with goods. On a daily basis, most of those containers return empty. Thus, an immediate, cost-effective backhaul opportunity exists for Island-based export enterprises.

In 2013 PAPA loaded out 883,000 metric tonnes of logs (internationally) and that was the highest in recent memory / records. Considering berths 2 & 3 are often vacant and they have two anchorages that can, and have, been used for loading and there is plenty of water storage in the inlet, there is no reason this number couldn't easily be doubled as well. However, it is doubtful that the supply would exist to test maximum volume there but they have the water space and berth openings to accommodate this production if needed.

## Active Participation in and Connection to Global Supply Chains

Vancouver Island has been shipping and receiving through its Port Authorities and deep waters serving export and incoming supply needs for decades. Companies such as Seaspac Ferries, CN Rail, multiple Deep Sea Freight Carriers, DP World and Western Stevedoring have strong interest in future growth on Vancouver Island and active investment in the present Island economy. Ocean freighters frequent Nanaimo and Port Alberni as well as the docks of private industry for bulk and container shipping.

The Island supply chains have been historically and inexorably connected through Vancouver. While some direct export from Vancouver Island exists, for the most part export goods and services from Vancouver Island are funneled through Vancouver. A present dynamic exists in the Island economy that shows that we are not producing sufficient containerized goods desired by export markets while displaying potential to help attract foreign investment. On a daily basis, hundreds of containers arrive on Vancouver Island shores filled with goods. On a daily basis, most of those containers return empty. Thus, an immediate, cost-effective backhaul opportunity exists for Island-based export enterprises.

We also see significant potential for direct export by increasing production volumes on Vancouver Island sufficient to justify water and air freight direct to foreign markets. Actualizing this potential is both a boon to the provincial and federal economies as well as a significant opportunity to allow a degree of industrial expansion that is no longer possible in the lower mainland thereby helping to reduce traffic volumes and alleviate land use stress in Vancouver.

Designating Vancouver Island as a Foreign Trade Zone Point is aligned with our marketing experience and knowledge that credible promotion of our import/export capacity internationally follows naturally and logically behind the direct trade activities of 'Canada' and of 'British Columbia' as trading partner brands. 'Vancouver Island' is the logical next step in this marketing progression and will provide an obvious gateway for our stakeholders that a less-encompassing identity would not afford.

It simply makes sense in the global market place to promote whatever brand is easiest to recognize. 'Alberta' has much higher name recognition than 'Edmonton'. Similarly, Winnipeg presents itself as 'Centreport

Canada’ stating that it is ‘a big deal for Manitoba.’ Thus ‘Centreport Canada’ is much easier to market than either Winnipeg or Manitoba. Thus, ‘Centreport Canada’ and ‘Port Alberta’, even though articulated by single municipalities, are actually serving the import/export interests of much larger regions.

**Vancouver Island is ready to emerge in its gateway role with Asia and the Americas helping Canada diversify trade and reduce dependence on the US market.** The FTZ-VI moniker will give credibility to our region to establish trading links with Europe, for example, through the Canada Europe Trade Agreement and with China through a potential new Canada China Trade Agreement.

For instance, in the recent construction of a high school in North Vancouver, wood panels manufactured in Germany were used. While it is not entirely clear why the European product was chosen over that of a BC supplier, it illustrates the point that European value-added wood products represent a real competitive threat to domestic suppliers. The present unrealized potential of value-added wood products on the Island and the opportunity this industry represents for increased export revenues built from a solid domestic track record adds further rationale to FTZ-VI.

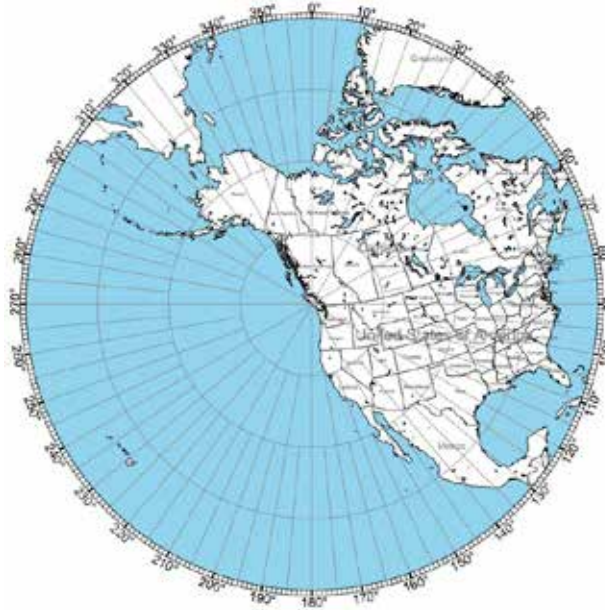
Having the centralized infrastructure of FTZ-VI will make business decisions easier on Vancouver Island which will help open the door for increased Foreign Direct Investment.

Canada has signed numerous free trade agreements with nations around the world (Table 2). To take full advantage of these agreements Vancouver Island companies will benefit from the support that FTZ-VI will offer. Accessing the potential of these agreements is not necessarily straight forward but with the credibility of our FTZ Point designation, it is expected that new trade relationships can be developed faster and more profitably.

**Table 2 EXISTING FREE TRADE AGREEMENTS WITH CANADA**

<b>COUNTRY</b>	<b>DATE FTA SIGNED</b>
Colombia .....	2011-08-15
Costa Rica.....	2002-11-01
European Free Trade Association (EFTA): .....	2009-07-01
Iceland, Liechtenstein, Norway, Switzerland	
Honduras.....	2014-10-01
Israel.....	1997-01-01
Jordan.....	2012-10-01
Korea.....	2015-01-01
North America (NAFTA): Mexico, United States of America .....	1994-01-01
Panama.....	2013-04-01
Peru .....	2009-08-01

With the new CETA FTA and talks ongoing with China and the Trans Pacific Partnership, access to global markets has never been brighter. Vancouver Island is well positioned to take advantage of the Federal Government’s investment in trade agreements.



As the crow flies it is just as easy to cover all of Canada as it is to get into the US and Mexico and well on the way to China.

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FTZ designation and increased awareness resulting from FTZ-VI marketing initiatives will give the Island marketing advantages internationally. FTZ-VI branding for transportation, logistics, and manufacturing will help accelerate attraction of foreign direct investment. International companies will be more inclined to see Vancouver Island as a Pacific Gateway with trucking, rail, air cargo, and short-sea access to North America and bulk, container and air cargo access to the rest of the world.

### What's the point?

Exporter of processing Services Program - Qualifies companies to import goods belonging to non-residents without paying GST/HST as long as these goods are imported for processing, distribution or storage and are subsequently exported.

Vancouver Island has the enviable advantage of having two federal Port Authorities, several airports with international capacity, short sea and overseas shipping from numerous deep water access points along our coast, and easy access to rail to reach markets across North America. FTZ-VI will attract investor attention to these attributes.

Can it be shown through data, concrete examples, or statistical evidence that Vancouver Island has direct connection to global supply chains?

Yes. One concrete example of Vancouver Island based exporters is Quester Tangent Corporation. QT has been in business since 1983 and focused on exports since the late 1980's. This company has sold technology into more than 40

countries across the globe and has serviced many of the world's navies. Since the mid-1990's the corporation has focused on transportation electronics with state-of-the-art manufacturing from its facilities on Southern Vancouver Island. In the last decade alone Quester Tangent has generated more than \$80 million in foreign revenue and employees a workforce generating more than 400 man-years in high-skilled labour on the Island. The company has seen more than 15% CAGR and is expected to continue to grow through at least 2020.

Other concrete examples include three companies operating in Campbell River - T-Mar Industries exported \$6.2 million in manufactured equipment to USA and New Zealand in 2016 and expects exports to increase to \$10 million annually within two years; Sealand Aviation exported \$1.4 million on 184 invoices in 2016; and York Machine exported \$3.3 million in 2016 with 50% exported to USA.

Additionally from Port Alberni Port Authority:

### **THE MOST RECENT BREAKDOWN BY PERCENTAGE OF LOGS EXPORTED TO ASIA BY COUNTRY IS 2014**

Japan 27%  
Korea 10%  
China 63%

### **LUMBER EXPORTS**

2014 Japan 100%  
2015 Japan 100%  
2016 Japan 100%  
2017 year to date: Japan 98% China 2%

## Access to a Skilled Labour Force

All transportation infrastructure and transportation providers already identified are, and have been, operating for many years. Resource industries, though changed in complexion, continue as foundational to the Island economy. Advanced manufacturing has quietly developed into a \$1 billion sector on Vancouver Island. And our five colleges and universities continue to churn out graduates eager for careers. Vancouver Island is one of the most desirable places to live in Canada. Thus, our workforce tends to be stable because once people establish themselves on the Island, they are reluctant to leave.

Additionally, coastal First Nations show increasing populations of youth seeking employment and careers. Vancouver Island University, for instance, has the highest First Nation student enrollment in Canada.

In 2015, VIEA initiated a project designed to improve retention of graduating post-secondary students on Vancouver Island. By engaging the five major colleges and universities (Royal Roads University, University of Victoria, Vancouver Island University, Camosun College and North Island College) in shared data collection and development of objectives and also partnering with the 2017 National MBA Games, we are establishing a baseline of data and a strategy for engaging the institutions, students and business community in a program to 'capture the talent' we are already educating—introducing a new generation of skilled labour on Vancouver Island.

An Island strength is access to Highly Qualified Personnel (HQP) being developed on the Island by these post secondary institutions, including their collective strength as portals for attracting international talent to our workforce pool. These institutions are also attracting and developing talent from across Canada by adapting curricula to meet workforce demands.

There is something of a ‘fly-wheel’ analogy appropriate to this theme. It is well-established that clustering of complementary businesses has an attractive effect that, once developed, contains a host of cost-effective and innovative advantages. What is somewhat less understood is the HR advantages. Companies that require specialized and advanced skills can have difficulty attracting people with those requisite skills if isolated from other enterprises with similar HR needs. To be financially secure, skilled workers need the comfort of reasonable potential locally for lateral and vertical career movement. It is difficult for an Engineer, for instance, to move his/her family for a new job in a region where, if that job doesn’t work out, they’re pretty much required to pack up and go somewhere else to continue their careers. Thus, our work to improve competitive advantage for Vancouver Island enterprises, in which FTZ Point designation plays a part, is intended to expand the island’s import/export base and in that process progressively improve the prospects for employer ability to attract the talent they need.

The primary goal of FTZ-VI is to grow and sustain export activity. FTZ designation will play a role along with VIEA’s numerous related initiatives in making it easier and more cost effective to manufacture for export—grow companies, create jobs, increase the GDP.

There exists strong internal and external pressure to grow a business to a certain size and take the business elsewhere. Canada, British Columbia and Vancouver Island have proven to be very good at research and development and less good at commercialization. We lose many of our emerging, innovative companies to the United States when we could be keeping and growing these companies.

Advanced manufacturing’s primary asset is people. The workforce dynamic on the Island is unique because, like a big city, a significant portion of the Island’s population has moved here from other jurisdictions and yet, unlike a big city, a significant portion of the population lives and works in a rural setting. The binding force seems to be an attraction to the Vancouver Island climate and unfettered access to nature. The workforce on Vancouver Island cannot be considered transient. In other words, people decide to move to the Island because this is where they intend to stay. This is a double edged sword for employers because it may be more difficult to find workers but once those workers sign on, there should be less incentive to move off the Island. In a recent sampling of MBA students from across Canada tasked with providing a view of how to retain younger workers on the Island a consensus view emerged that work/life balance was of prime importance. Vancouver Island provides the ideal setting to achieve that work/life balance.



## What's the point?

Our island geography has historically viewed as an economic liability. But water connects. And our connection to the rest of the world by water is an advantage. FTZ-VI will focus on these advantages to develop more manufacturing and more international trade opportunities.

### **Can VIEA provide statistical evidence, such as labour force statistics, to show that a pool of skilled labour currently exists?**

Yes. A recent BC Provincial Government commissioned report entitled “BC 2-25 Labour Market Outlook” suggested that job openings will grow on the Island and Coast by 1.1% representing almost 150,000 job openings. The majority of these jobs will come from a retirement with about 30% coming from growth. The report projects that job openings on the Island and Coast are on par with the rest of the province. There is no doubt that a skilled workforce exists because, while there are skills deficits in some areas, by en large the workforce meets the demands of industry as it currently stands. It should be noted however that the aforementioned report indicated that there will be zero openings in manufacturing out to 2025. With no employment growth and a shrinking workforce due to aging out, there exists a tremendous opportunity to fill an expected gap. Jobs that could directly be affected by an FTZ Point include manufacturing, transportation and professional services. These account for one-quarter of the workforce of BC. A FTZ-VI will open the doors to improving the outlook.

Also, since the Province of BC does not track available skilled labour specifically, they suggest using education statistics as a key indicator of skill. For the purposes of this response, “skilled labour force” will be defined as those who hold a postsecondary certificate, diploma, or degree (including trades certificates).

Data is only available for the Vancouver Island and Coast Region, not Vancouver Island specifically. This does not significantly influence the statistics because the Coastal population (Sunshine Coast) is a relatively small percentage of this total and because the demographics are not dissimilar.

### Existing Labour Force

2016	Vancouver Island and Coast	BC	Lower Mainland-Southwest
Labour Force	389,000	2,532,300	1,626,900
Skilled in Labour Force	240,000	1,554,100	1,028,000
% of Labour Force	61.7%	61.4%	63.2%

In 2016, the Vancouver Island and Coast (VIC) labour force consisted of 240,000 skilled individuals, representing 61.7% of the labour force. Trailing only behind the Lower Mainland-Southwest, the VIC region has BC's second highest population and percentage of skilled individuals in the labour force.

### Unemployed Skilled Individuals 2016

2016	Vancouver Island and Coast	BC	Lower Mainland-Southwest
Unemployed	22,500	152,80	89,500
Unemployed with Skills	11,600 (15% of BC)	75,300	46,800 (62% of BC)
% of Unemployed with skills	51.8%	49.0%	52.2%

In 2016, there were 11,600 unemployed skilled individuals in the VIC region, which represented 15% of the province's pool of unemployed skilled individuals. This represented the second largest concentration of unemployed skilled individuals in BC, behind only the Lower Mainland-Southwest.

These are the only two regions in BC where a majority of unemployed workers are skilled.

### Unemployed Rate

2016	Vancouver Island and Coast	BC	Lower Mainland-Southwest
Unemployed	5.8%	6.0%	5.5%
Skilled Unemployment Rate	4.9%	4.8%	4.5%

The VIC unemployment rate was 5.8%, second lowest in the province behind the Lower Mainland-Southwest.

The VIC unemployment rate of skilled individuals was 4.9%, the third lowest rate in BC behind the Nechako region at 2.7% and the Lower Mainland-Southwest at 4.5%.

## Unemployed Skilled Individuals 2016

2016	Vancouver Island and Coast	BC	Lower Mainland-Southwest
Skilled NILD	134,700 (22% of BC)	599,800	341,900 (57% of BC)

There were 134,600 skilled individuals who were not in the labour force, representing 22% of all skilled NILF in BC. This represented the second largest concentration outside of the Lower Mainland Southwest. Skilled individuals not in the labour force include retirees, students, family caregivers and anyone else not working or looking for work. Even though they are not officially counted as unemployed, some of these people can be drawn into the labour force by new economic opportunities.

## Unemployed Skilled Individuals 2016

2016	Vancouver Island and Coast	BC	Lower Mainland-Southwest
Labour Force + NILF	661,800	3,930,600	2,459,200
Skilled Individuals	374,600	2,153,000	1,369,900
% of Skilled Individuals	56.6%	54.8%	55.7%

The VIC had BC's highest percentage of skilled individuals, when taking into account both the labour force and those not in the labour force.

## Access to a Multimodal Transportation System

Not only does Vancouver Island have access to a multimodal transportation system, the system stakeholders are committed to a vision to strengthen the economy by continuing to improve connections; working for efficiencies to reduce greenhouse gas emissions; help solve waterway and roadway congestion in Greater Vancouver; and support growth in advanced manufacturing to realize the Island's export potential.

CN Rail is bullish on growing cargo volume to and from Vancouver Island on its rail line that terminates on the Fraser River and serves all of North America. Seaspans Ferries is heavily invested in its short-sea container services connecting Island communities directly with rail, trucking and warehousing along the Fraser River.

As stated previously, FTZ-VI will feature the combined capacity of public and private facilities and established value chains served by numerous

commercial transportation providers—all linked to the rest of North America and overseas. From domestic and international air passenger and cargo service capacity at our several airports to our short-sea and over-sea bulk and container freight capacity with direct ties to rail and road transport, Vancouver Island has ability to exponentially grow product volumes and GDP with no requirement for infrastructure expansion on the foreseeable horizon.

A successful Foreign Trade Zone Point on Vancouver Island will not only optimize the existing capacity of our extensive transportation infrastructure, but will further serve to justify any future expansion of the Island's intermodal capacity.



Main Export-Oriented Regions and Shipping Routes Servicing North America in *The Geography of Transport Systems, FOURTH EDITION* by Jean-Paul Rodrigue (2017), New York: Routledge. ([https://people.hofstra.edu/geotrans/eng/ch1en/appl1en/panama\\_route.html](https://people.hofstra.edu/geotrans/eng/ch1en/appl1en/panama_route.html))

The proximity of the Island to the west coast of North, Central and South America is particularly relevant. The Island represents a perfect staging ground for goods bound for the west coast of the United States and beyond. Vancouver Island has the opportunity to leverage its past as an exporter of natural resources and the associated infrastructure. Natural and protected deep water ports and hectares of developed seaport and airport infrastructure significantly reduce the capital cost of new ventures.

Our goal is to turn disadvantage into opportunity so that, businesses active in international trade will be attracted to Vancouver Island and grow

here BECAUSE of our competitive advantages rather than IN SPITE of our competitive disadvantages...

## The world is full of highly successful island economies.

Vancouver Island promises to be the next bright spot in a rapidly changing global economy—an active participant in Canada's Global Markets Action Plan.