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## BRIEFING NOTE FOR INFORMATION

**DATE:** June 6, 2018  
**PREPARED FOR:** Honourable Claire Trevena, Minister of Transportation and Infrastructure  
**MEETING:** Honourable Bruce Ralston, Minister of Jobs, Trade and Technology  
**ISSUE:** Shipbuilding

### BACKGROUND:

In preparation for this meeting, information is being provided on shipbuilding in British Columbia, particularly as it relates to BC Ferries.

### DISCUSSION:

BC Ferries supports shipyards in BC by spending an average of \$74 million annually on maintenance, repair and refits on their existing vessels. Last summer, BC Ferries entered into a five-year agreement with Victoria's Point Hope shipyard for maintenance work for eight older Minor class vessels. Point Hope was also awarded a contract to provide technical and warranty work on BC Ferries two new Minor class vessels that are under construction in Romania. While the industry recognizes the value of this refit and maintenance work, BC Ferries' contracts for new vessel construction are typically awarded to foreign shipyards. Of the eleven new vessels constructed since 2003, only the Baynes Sound Connector and the M.V. Island Sky were built in British Columbia.

A recent round table event hosted by the Association of BC Marine Industries (ABCMI) in partnership with BC Ferries was held to explore how to create conditions for competitive new vessel construction in BC. Participants represented local shipyards, suppliers, federal and provincial governments and the Shipyard General Workers Federation. ABCMI's Summary of the Discussions is attached (Appendix 1).

During the event, BC Ferries outlined their procurement practices in detail. Industry representatives raised a number of issues that are perceived as barriers to successfully competing in contracts to build new vessels for BC Ferries. They included: the high cost of submitting bids with no honorariums for proposal development, onerous contract performance guarantees, the inability to compete within the global market due to lower costs for foreign yards which often receive government subsidies, the decision by the government of Canada to remove federal import duties, and BC Ferries' contract payment schedule that require shipbuilders to cover the bulk of the project financing until project completion. As BC Ferries typically uses design/build contracts, this puts an enormous financial burden on local shipyards given the significant up-front costs. Many smaller shipyards do not have in-house design capabilities.

BC Ferries indicated that their procurement methods and construction contracts reflect best practices and standards within the industry. While BC Ferries would like to build their vessels locally, BC Ferries President and CEO, Mark Collins, indicated that BC Ferries must conduct procurement in a way that results in best value for ferry users. He also acknowledged that there are economic spinoffs associated with building vessels in British Columbia but indicated the premium for this benefit should not be borne by ferry users, and that support for the shipbuilding industry is a public policy decision for government.

BC Ferries is planning on starting a procurement process this year for four additional Minor Class ferries (47 vehicle capacity each) and one additional Salish Class ferry (138 vehicle capacity). In 2019, the company will begin a procurement process for up to five Major Coastal Class ferries (360 vehicle capacity each). To address local shipyard concerns, BC Ferries is considering sharing the design-drawings as part of its next procurement for the Minor and Salish Class vessels since the company will already have the design (i.e., engineering drawings) in their possession.



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Mr. Blair Redlin is undertaking a review of provision of coastal ferry services in BC, and BC Ferries' procurement practices are part of that review. Once the review is complete, government will have an opportunity to determine what, if any, it wishes to pursue to influence BC Ferries procurement process.

The Province of BC and the federal government currently offer some tax incentives/grants to assist with the cost of labour training (Appendix 2). Notwithstanding these programs, local shipyards face significant challenges in competing within the global shipbuilding industry. The level of support that would be needed to increase the competitiveness of local shipyards was not clear during the ABCMI event. s.13

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On a related note, Minister Ralston's office recently received a funding request to support the development of a business case for a new dry dock in Port Alberni. The business case would assess current shipbuilding and ship repair capacity in BC and expected investment returns of the proposed new dry dock. BC Ferries has provided a letter of support for the project (Appendix 3). Point Hope Shipyards is also planning to invest \$50 million to expand their dry dock to accommodate larger vessels. The City of Victoria supports the project. Point Hope is seeking approval from federal authorities.

**FINANCIAL IMPLICATIONS:** N/A

#### Attachments

1 – s.13

2 – Information on Government Tax Credits/Grants available for Shipbuilders

3 – BC Ferries Letter of Support for Proposed Port Alberni Floating Dry Dock

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#### INITIALS

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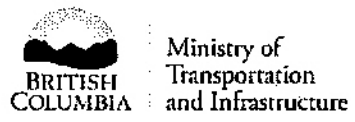
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## Appendix #2- Information on Government Tax Credits / Grants available for Shipbuilders

Program	Description
<b>BC Employer Training Grant (ETG)</b> (funded by the Federal Government through the BC-Canada Workforce Development Agreement)	<ul style="list-style-type: none"> <li>To qualify, employers must provide apprenticeship to workers with Industry Training Authority (ITA) recognized certified trade programs. For example, Marine Mechanical Technician and Marine Service Technician Certificates are recognized ITA programs.</li> <li>Employers are reimbursed for all eligible training costs, up to a maximum of \$10,000 per participant. No contribution is required from the employer.</li> <li>The annual grant maximum is \$300,000 in total for an employer.</li> </ul> <p>Source: <a href="https://www.workbc.ca/Employer-Resources/BC-Employer-Training-Grant.aspx">https://www.workbc.ca/Employer-Resources/BC-Employer-Training-Grant.aspx</a></p>
<b>Federal Apprenticeship Job Creation Tax Credit (AJCTC)</b>	<ul style="list-style-type: none"> <li>To qualify, employers must hire apprentices registered in Red Seal programs<sup>1</sup>. For example, welder, metal fabricator, steamfitter/pipefitter are recognized Red Seal Trades, and these trades skills are highly demanded in heavy industries, such as air and marine industries.</li> <li>The tax credit amount is 10% of the eligible salaries and wages paid to the apprentices with a maximum annual credit of \$2,000 per eligible apprentice.</li> </ul> <p>Source: <a href="https://www.canada.ca/en/revenue-agency/services/tax/individuals/topics/about-your-tax-return/tax-return/completing-a-tax-return/deductions-credits-expenses/line-412-investment-tax-credit/apprenticeship-job-creation-tax-credit.html">https://www.canada.ca/en/revenue-agency/services/tax/individuals/topics/about-your-tax-return/tax-return/completing-a-tax-return/deductions-credits-expenses/line-412-investment-tax-credit/apprenticeship-job-creation-tax-credit.html</a></p>
<b>BC Tax Credit for Shipbuilding and Ship Repair Industry</b> (scheduled to expire in December 2019)	<ul style="list-style-type: none"> <li>To qualify, employers must employ apprentices enrolled in the Training programs recognized by ITA. For example, Marine Mechanical Technician and Marine Service Technician Certificates.</li> <li>An eligible employer is an employer whose principal business is constructing, repairing or converting ships.</li> <li>Tax credit amount: <ul style="list-style-type: none"> <li>First 24 months (basic tax credit): 20% of eligible salaries and wages up to \$5,250 annually per eligible apprentice.</li> <li>Completion tax credit for level 3 and level 4, 20% of eligible salaries and wages up to \$5,250 annually per eligible apprentice.</li> <li>Enhance tax credit: basic tax credits or completion tax credits are enhanced by 50% up to \$2,625 for employers of First Nations individuals and persons with disabilities. As a result, the total maximum tax credits is \$7,875 including the basic or completion tax credits with max. \$5,250 plus the enhanced tax credits with max. \$2,625.</li> </ul> </li> <li>To date, approximately \$1.5 million has been claimed since October 1, 2012.</li> </ul> <p>Source: <a href="https://www2.gov.bc.ca/gov/content/taxes/income-taxes/corporate/credits/ship-build-repair">https://www2.gov.bc.ca/gov/content/taxes/income-taxes/corporate/credits/ship-build-repair</a></p>

- Through BC's Sector Labour Market Program, the Province has invested \$800,000 to date to explore and address industrial marine labour market needs.
- The Province will continue to invest \$96.68 million annually in the Industry Training Authority to ensure the trades training apprenticeship system is well supported and continues to meet the needs of apprentices and industry sectors, including marine.

<sup>1</sup> The Interprovincial Red Seal Program is the Canadian standard for skilled trades and allows tradespeople to have their skills recognized across the country.





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## Appendix #3- BC Ferries Letter of Support for Proposed Port Alberni Floating Dry Dock

### REQUEST FOR PROPOSAL: PORT ALBERNI FLOATING DRYDOCK BUSINESS PLAN

#### Appendix 2 BC Ferries Letter of Support



January 30, 2018

Zoran Knezevic, President & CEO  
Port Alberni Port Authority  
2750 Harbour Road  
Port Alberni, BC, V9Y 7X2

Dear Zoran,

Re: Support for Floating Dry Dock & Marine Works Yard

BC Ferries is pleased to support the efforts of the Port Alberni Port Authority (PAPA) to facilitate the development of a new floating dry dock and marine works yard in Port Alberni.

BC Ferries is planning to invest \$3.5 - \$4 billion over the next 12 years in infrastructure and new vessels in addition to our anticipated \$150 million annual spend on ship repair. The biggest constraint we face supporting our fleet is the scarcity of dry docking in British Columbia. Currently, two-thirds of our fleet of 35 vessels can be docked at just two facilities. Those facilities are busy and the opportunity for increased dry dock capacity in BC will be of great interest to BC Ferries and other coastal marine customers.

BC Ferries has supported the British Columbia ship repair sector for many years. We applaud the efforts of the Port Alberni Port Authority to encourage the development of a new floating dry dock and marine yard facility. BC Ferries looks forward to hearing about the progress of this development in the British Columbia marine sector.

Sincerely,

Mark Collins  
President & CEO

**END OF RFP DOCUMENT & APPENDICES**

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## BRIEFING NOTE FOR INFORMATION

**DATE:** September 18, 2018  
**PREPARED FOR:** The Honourable Claire Trevena, Minister of Transportation and Infrastructure  
**MEETING:** Chantier Davie Canada Inc. (CDCI)  
**ISSUE:** Proposal to Build Ferries Locally

### BACKGROUND:

In late August, Chantier Davie Canada Inc. (CDCI) wrote to the Premier requesting an opportunity to meet and discuss a proposal to build ferries locally (see Appendix 1 for incoming correspondence). The request was referred to the Minister of Transportation and Infrastructure and a meeting has been scheduled for October 16, 2018. In attendance will be Naresh Raghubeer, Senior Strategic Advisor for CDCI, and representatives from CDCI.

### DISCUSSION:

CDCI is one of Canada's largest shipyards, employing about 1,400 workers when operating at full capacity. The yard is located in Lévis, Quebec. Since emerging from bankruptcy protection with new private ownership in 2013, its major shipbuilding works have included a variety of large high-profile projects.

In July, BC Ferries issued two Requests for Expressions of Interest (RFEOI) for the procurement of five new vessels – four new Island Class vessels, and one new Salish Class vessel. BC Ferries has indicated that like previous procurements, the process is open to local, national and international shipyards as well as consortiums. BC Ferries expects to finalize a contract by the end of 2018.

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**FINANCIAL IMPLICATIONS:**

- None

**Attachments:**

Appendix 1 – s.13

**PREPARED BY:**

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**INITIALS**

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cc: Honourable Claire Trevena, Minister of Transportation and Infrastructure  
Honourable Bruce Ralston, Minister of Jobs, Trade and Technology  
Honourable Carol James, Minister of Finance





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## BRIEFING NOTE FOR INFORMATION

**DATE:** September 27<sup>th</sup>, 2018  
**PREPARED FOR:** Honourable Clare Trevena, Minister of Transportation and Infrastructure  
**ISSUE:** Squamish Yard Planning

### SUMMARY:

- BCR Properties' (BCRP) Squamish Yard is a 96.2 acre (37.4ha) zoned industrial property in Squamish connected by rail to a deep-water port and in close proximity to Highway 99.
- A planning study was recently completed by Urban Systems which provides recommendations for the s.13 s.13
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### BACKGROUND:

Squamish Yard is a large industrial-zoned property in proximity to road, rail and tide-water. It is a strategic port-related land holding for the Province, similar to the BCRP-owned Vancouver Wharves property in North Vancouver and the Squamish Terminals property.

The yard was formerly the site of BC Rail's primary Mechanical Yard, housing BC Rail's car and locomotive repair shops for nearly a century. The Yard is located about 3 miles north of Squamish Terminals, via a direct rail spur connection and in close proximity to the Sea-to-Sky highway. The Yard is 96.2 acres in size with 8 large shop buildings, comprising about 250,000 sq. ft. of shop floor space.

The Yard had extensive soil and groundwater contamination from nearly a century of use as a railway mechanical repair yard facility. Remediation efforts were completed to enable BCRP to obtain a risk-based Certificate of Compliance (CoC) from the Ministry of Environment (MoE) in 2016. s.13 s.13

Due to the extensive contamination and a decade-long period of investigation and remediation, vacant buildings and usable vacant lands have been offered for lease (leasing opportunities listed through Cushman Wakefield since 2005) to generate ongoing income. Currently 7 of the 8 buildings including about 35 acres of the lands are leased out, generating in excess of \$1 million per year in lease revenue.

Squamish Terminals (ST) is a deep-water marine terminal situated on nearby BCRP-owned lands under a long-term lease and is connected to the Squamish Yard by rail. s.13 s.13

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Urban Systems, a private urban planning and engineering





contractor was commissioned to s.13  
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## DISCUSSION:

### Land Use Report

The Urban Systems land use report provided an overview of the site including current use, land use policies, and site servicing and infrastructure. It also provided a summary of existing tenants on site, stakeholder input of future development concepts, and a market analysis to understand the demand for industrial land in Squamish.

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### West Coast Rail Association (WCRA)

The WCRA is a non-profit society incorporated in 1961 with the objective to restore, preserve and maintain Canada's railway heritage. The MP2 Locomotive Shop and a 5-acre portion of land at the northern tip of the Squamish Yard property have been occupied by WCRA since 2005. It is immediately adjacent to (across the road from) WCRA's West Coast Railway Heritage Park and connected directly by both road and rail.

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### Next Steps

- Evaluate land use report and consider/implement options.
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### FINANCIAL IMPLICATIONS:

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### ATTACHED:

### Appendix A – Squamish Railyard Lease Areas

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## BRIEFING NOTE FOR INFORMATION

**DATE:** July 12, 2018  
**PREPARED FOR:** Honourable John Horgan, Premier  
**MEETING:** Tom Sigurdson Executive Director BC Building Trades  
**ISSUE:** Community Benefits Coalition of BC

### SUMMARY:

- The government wants to see community benefits generated from investments in public sector infrastructure projects.
- Work is underway to create a Community Benefit Agreement (CBA), also known as a labour agreement, with an affiliation of the BC Building Trades to support this objective.
- The perspectives and views of groups like the Community Benefits Coalition of BC (CBCBC), are important to help government understand what could be achieved and how, through a community benefits agreement.

### BACKGROUND:

The Community Benefits Coalition of BC (CBCBC) was formed in 2018 to advocate for Community Benefits Agreements (CBAs) on publicly-funded infrastructure projects. The CBCBC is composed of members of the labour movement and local companies who describe a belief that projects paid for by B.C. taxpayers can and should provide tangible long-lasting benefits that go beyond the project itself.

The CBCBC represents a number of labour, industry and community associations. Labour groups include the BC Building Trades, the International Brotherhood of Electrical Workers, and Construction and Specialized workers, among others. Industry groups include Sasco, Concert Properties, Ruskin construction, asphalt and paving companies such as Quesnel paving, and transportation companies such as Nisga'a-Arrow Transportation Limited. Financial and community associations include Community Savings Credit Union.

The Ministry of Transportation has been assigned the lead role in developing a provincial Community Benefits Framework for government and will be engaging with community groups such as the CBCBC on activities that go beyond community benefits agreements.

### DISCUSSION:

The CBCBC is a new coalition that has been publically advocating for the use of community benefits agreements on major public sector infrastructure projects. Currently CBCBC is composed of a single office in the lower mainland. Topics that the CBCBC may want to discuss with the Premier include:

#### ○ Upcoming Release of Community Benefits Agreement

##### CBCBC Opinion

- 1) The Province should deliver major infrastructure projects through a community benefits agreement.

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**FINANCIAL IMPLICATIONS:**

- None

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**REVIEWED BY:**

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Executive Lead, Community Benefits Office  
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**INITIALS**

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