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## **Report: BC would make big gains from building ferries locally**

VANCOUVER, B.C. – A new study shows significant economic benefits for building BC ferries at home.

These benefits include seeing the BC economy grow by over \$378 Million with almost 1100 manufacturing and construction jobs staying in the province. Additionally, government debt, both provincially and federally, would be reduced by almost \$100 Million.

The report, completed by the Columbia Institute, sets out the benefits to shipbuilding and manufacturing industries in BC.

"The economics are clear - building BC's ferries in the province would create local jobs, bring in increased tax revenue, strengthen the Canadian ship building industry, and leverage investments already made by the federal and provincial government," says Charley Beresford, Executive Director of the Columbia Institute. "The numbers add up, with big dollars staying home to benefit our economy and employment."

BC Ferries is currently wrapping up an open bid process to build three new Intermediate class vessels. The corporation's long term "New Build" program could see as many as 26 vessels replaced over the next 15 years, with predicted expenditures of \$2.5 billion or more.

"Offshoring this massive program benefits other countries while leaving British Columbia, Canada and BC Ferries customers shouldering ongoing debt and costs," says Beresford. "We can meet the need of BC ferries while benefiting our local economy."

Economic modeling for this report from Stokes Economic Consulting shows the advantage of building these ferries in BC:

- For every 100 jobs created in a BC shipyard or repair industry, there would be an additional 135 jobs created in the province.
- The average increase in employment over three years would be 1,063 workers annually.
- Building the ferries in BC would increase government tax revenues by \$66 million federally and \$36 million provincially.

The full report is available online at: <http://www.civicgovernance.ca/made-in-bc-ferries>

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## **Backgrounder – *Made-In-BC Ferries:***

In 2004, when BC Ferries last procured new vessels, the contract was awarded to Flensburger Schiffbau-Gesellschaft, in Flensburg, Germany. The approved contract price for the three Coastal class ferries was \$325 million, but the overall budget was \$542 million. In the end, BC Ferries spent more than \$800 million to build and purchase three vessels overseas.

The decision to build the ferries overseas was controversial. “To me it doesn’t make sense,” then MLA for Vancouver-Seymour Daniel Jarvis wrote about that decision. “There are no valid reasons to indicate that BC shipyards are not capable.”

In 2006 and then 2010, federal taxpayers bore additional public costs when the Canadian government agreed to waive a 25% federal import duty for the vessels. This decision negated the purpose of the import duty, which is to encourage the construction of ships in Canada rather than abroad, and it cost federal taxpayers \$119 million.

The Government of Canada’s official policy is to consider the economic benefits of shipbuilding and – in particular – supporting Canadian shipyards when Canadian tax dollars are invested in new ships. In the past four years, both the federal government and the BC government have adopted new industrial development strategies aimed at renewal of the BC shipbuilding and repair industry and its skilled workforce. Building new ferries in BC shipyards would contribute to the successful implementation of these new federal and provincial industrial development strategies for revival of the shipbuilding and repair industry on Canada’s West Coast. It would ensure both levels of government see returns on the significant public expenditures that are being made.

In nearby Washington State, a series of state laws and regulations known as “Build in Washington” require that all new ferries be built in Washington shipyards. The stated purpose of these laws is to “employ people, help develop a capable workforce, and create a positive economic benefit. Since 1997, Washington State Ferries, the largest ferry system in North America, has procured eight new vessels, all built within the state.

Additionally, the Washington State Apprenticeship Act (2007) stipulates that 15 percent of all work on Department of Transportation public works projects worth more than \$2 million and other state agency projects worth more than \$1 million, including the construction of ferries, must be performed by workers enrolled in state-approved apprenticeship programs. If legislation of this nature were in place in BC, based on the estimated 453 shipyard jobs per year that construction of the three new ferries would create in BC shipyards, 68 new apprenticeship training positions would be created for this project.

**Economic modeling for this report from Stokes Economic Consulting shows the advantage of building these ferries in BC:**

- For every 100 jobs created in a BC shipyard or repair industry, there would be an additional 135 jobs created in the province.
- The average increase in employment over three years would be 1,063 workers annually.
- Building the ferries in BC would reduce government debt by \$102 million, \$66 million federally and \$36 million provincially.
- The largest industry impacts would be \$132 million for the manufacturing sector, followed by \$52 million in construction.
- For every \$1 spent on the ferries, an additional \$0.50 is created for the economy (an economic multiplier of 1.5).
- The total GDP impact of constructing the three ferries in BC from 2015 to 2017 would be a total of \$378.5 million.

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