

**Fair Sailing** is an initiative by the James Bay Neighbourhood Association (JBNA) to advocate for responsible cruise tourism practices that prioritize the interests of residents, local businesses and the environment of Victoria, Canada's highest volume port-of-call.

James Bay residents want quality of life, clean air, no foreign garbage and a healthy safe community. The impacts of the cruise industry in our neighbourhood include overtourism, air pollution, the import of foreign garbage and threats to public health.

This section of **Fair Sailing** provides information on BC harbours and ports with a focus on Victoria Harbour, presents lessons learned about BC ports and government subsidies, describes the local role of the Greater Victoria Harbour Authority society, and offers considerations going forward.

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### BC Harbours and Ports

Of the hundreds of harbours along BC coasts, there are few that would be large enough to accommodate cruise ships.

The Canada Marine Act (CMA), as the parent act which guides use of ports within Canada, groups major ports as either "Port Authorities" or "Public Ports".

The creation of a Canada Port Authority (CPA) is reserved for ports that are of strategic significance to Canada's trade. CPAs are generally linked to a major rail line or a major highway infrastructure. The 19 CPAs are federally incorporated, operating at arm's length from the federal government.

At some point, each of the four CPAs in BC have had cruise ships in port. The Port of Vancouver has significant cruise activity as a home port with 299 visits in 2019 while the Ports of Nanaimo, Prince Rupert, and Port Alberni had 2-19 visits in 2019.

Public Ports, such as Port of Victoria, Victoria Harbour, serve communities where there are commercial activities, including cruise ships. The Regional Office of Transport Canada oversees port activities, with the Harbour Master in Victoria exercising authority in Victoria Harbour under the Canada Marine Act.

Dozens of harbours or marinas including several on Saanich Peninsula, serve Canada Border Services as a Customs Port of Entry. Campbell River, which received a few cruise ships visits several years ago, is a Customs Port of Entry.

### Victoria Harbour: Deep Sea Port

Victoria Harbour, as a naturally protected deep sea harbour, provides Victoria with a competitive advantage. The deep port permits the City to have a "working harbour" in its core.

Significant changes came to Victoria Harbour as Transport Canada divested itself of several lands to more local organizations across Canada

For over a century, Victoria Harbour was defined as the waterways along the shores of Esquimalt and Victoria, north to the Selkirk waters. In 2005, Victoria Harbour was redefined: *"All the navigable waters, including any foreshore, from a line running from the Ogden Point breakwater in a westerly direction to the southern end of Macauley Point northward to the Trestle Bridge."*

Companion changes included the repeal of the designation of Esquimalt as a Public Port as the Minister of National Defence designated Esquimalt Harbour and its approaches to be a Controlled Access Zone.

Transport Canada's lands and most of the federal water lots at Ogden Point, Camel Point, and Fisherman's Wharf, were transferred to the Greater Victoria Harbour Authority society (GVHA). These lands and water lots are no longer public property.

GVHA maintains the Raymur Point Customs Dock, operated by Canada Border Services Agency.

Prior to divestiture, a Transport Canada study identified Victoria Harbour as transforming to a transportation and recreational harbour.

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## BC Ports: Cruise Activity & Subsidies

### Lessons Learned - Campbell River

Campbell River is evaluating its **\$16 million cruise ship terminal** which does not host cruise ships. News reports from June, 2020, include statements from the Wei Wai Kum First Nation: *"They come in and say, 'We'll target Campbell River, six stops this year, but within five years you'll be getting 24 stops,' for example, and then they calculate how many passengers, and if they're going to spend how many hundreds of thousands . . . they have that all chartered out and they feed that to you, but in the end if they don't come, there's zero there."* Campbell River had estimated it would easily get the 10-14 ships needed to break even.

The facility opened in 2007 at a cost of **\$16 million**, including **\$9.45 million** from the federal government, **\$4 million** from the province, **\$2.3 million** from the City of Campbell River and **\$750,000** from the Wei Wai Kum First Nation which is locked into a yearly water lot lease of about \$20,000 for the 300-metre-long terminal.

Campbell River is a Customs Port of Entry, serving Canada Border Services. The port area handles bulk cargoes such as coal and timber products.

### Lessons Learned – Nanaimo

Completed in 2011, the facility cost **\$25 million** and included \$8.5 million from a federal infrastructure fund and \$5 million from the province. Prior to construction of the 'new' cruise ship terminal, projected ship visits ranged from 25-35 per year; **33 visits in 2005**. In 2014 and 2017 there were 6 cruise ship calls. The **2019** on-line schedule identified **2 ships**.

### Growth, Decline, Recovery – Prince Rupert

The Port of Prince Rupert, North America's closest port to Asia, serves as a major trans-Pacific trade gateway with \$50 billion worth of exports and imports passing through its terminals in 2019.

The larger cruise companies calling at Prince Rupert are usually Norwegian Cruise Line ships. Smaller, luxury brand ships such as Oceania, Seabourn, RSSC Regent sometimes use Prince Rupert as a port-of-call.

Itineraries of various lines and Port information bulletins provide some information on the cruise activity from 2006-2019.

In 2006, 50,000 cruise ship passengers arrived in port. In 2008, cruise activity peaked at 63 ship calls with 103,635 passengers. Between 2012 and 2015 there were 4-9 ship visits per year, with fewer than 5,000 passengers each year. 30 ship visits in 2018 brought 17,000 passengers to port while **2019** saw **19** larger ships scheduled with a potential of 28,000 passengers.

### Container Service – Port Alberni

Port Alberni handles international and coastal trade. Regarding revenue impacts due to COVID-19, CEO Zoran Knezevic stated *"Volumes of throughput will be down this year, as will tourism-related revenues from our marinas and campground. We had three cruise ship visits from Holland America in 2019 that added modestly to our bottom line, though none were scheduled for 2020"*

### Home-Port – Vancouver

The Port of Vancouver is Canada's largest port and the fourth largest in North America. The Vancouver Fraser Port Authority was created in 2008 as the 3 Authorities serving Vancouver and the Fraser area merged.

Vancouver serves the cruise industry as a home-port, handling the overflow for Seattle's Alaska run. Vancouver's "share" of the run decreased significantly when additional docks in Seattle became cruise-terminals in 2009. Vancouver ship calls dropped from 254 to 177 in one year. Since then, Vancouver's cruise activity increased as Seattle did not have capacity to handle industry demand. Port of Vancouver's **2019 Annual Report identifies 288 ship visits**, with only 7 being port-of-call visits.

The greatest threat to Vancouver's lucrative home-port operations may be the Port of Seattle's plan to transform Pier 46 into a cruise-terminal; not from changes to the US Passenger Vessels Services Act.

## GVHA and Ogden Point Terminal

The Greater Victoria Harbour Authority society (GVHA) was registered as a not-for-profit society under the BC Societies Act in February 2002. Transport Canada transferred ownership of several land and water lot parcels to GVHA in April, 2002.

The creation of GVHA was in response to Canada's National Marine Policy's Port Divestiture Program, under which Transport Canada transferred ownership and operation of regional/local ports and harbour beds to provincial or local interests. While Transport Canada transferred property, it retains jurisdiction over navigation on the water. Transport Canada's Harbour Master exercises authority in the Port of Victoria, Victoria Harbour.



### **Management of GVHA properties**

Although GVHA owns, leases, and manages several properties in Victoria Harbour, it is Western Stevedoring which has managed cruise operations at Ogden Point and coordinated cruise services as Agent/Manager for GVHA since 2003. GVHA's cruise activities revolve around contracts, cruise promotion, and lobbying at various levels of government. Tymac Launch Services (Tymac) and Pacific North West Transportation Services (PNWTS) have leased property at Ogden Point from which they serve the industry; Tymac transporting wastes and PNWTW passengers.

GVHA manages marinas at Fisherman's Wharf and its Inner Harbour properties and leased holdings. Hence, GVHA has differing administrative, operating, and infrastructure financial responsibilities for its owned and leased properties. Revenues from Ogden Point and Fisherman's Wharf operations have subsidized the activities at its inner harbour properties.

### **Administrative Costs**

The increase in administrative costs had been an item of discussion for many years when GVHA used to hold open Board and AGM meetings. Administrative Expenses of \$1.9M in 2011-12 had grown to \$4.5M by 2019-20. During this period GVHA had taken the CPR building (now called the

Steamship) and former Hyack Air properties into its portfolio.

### **Capital Infrastructure**

When GVHA formed, Transport Canada through its Port Divestiture Fund, provided a \$10M grant for Ogden Point capital/infrastructure and a couple million for Fisherman's Wharf. GVHA most correctly consumed some of the grant for infrastructure and transferred much of these grants to Capital reserves.

Each year, surplus cash generated from GVHA operations have been either reinvested in its facilities or transferred to the capital reserve fund. In 2019-20 GVHA transferred \$7.3M back to capital asset accounts. 2020 reports suggest capital reserve funds of \$15-17M.

The need for capital spending, particularly with the low-revenue producing Inner Causeway assets, are of great concern. Unanticipated costs, such as the recent sharing of maintenance and upgrade to Ship Point, can deplete capital reserves quickly.

Tenants are responsible for the capital costs of their facilities. Such costs sometimes reach beyond buildings. For example, few years ago, the Wave Innovator (cable laying ship) installed its own shore power.

### **Ogden Point and the Mooring Dolphin**

To accommodate large 315-meter ships, a mooring dolphin was installed at Ogden. In 2012, the Government of Canada committed **\$900,000** and the Province of BC committed **\$1.5M**, with GVHA committing \$1.5M.

By 2018, larger ships were being scheduled to stop in Victoria. To accommodate these ships, an extension to the mooring dolphin was planned. The federal government committed **\$1.9M through Infrastructure Canada** while GVHA was to contribute \$4,926,132 toward the **\$6.8 million** 58-metre extension to the mooring dolphin.

### **GVHA and Property Tax**

GVHA does not pay property tax on much of its property. BC Order-in-Council 1080/2002, most Greater Victoria Harbour "community port" lands

are exempted from property tax (BC Reg 345/2002). In brief, once part of the property is leased, it becomes taxable. Tenants such as the float home owners, Breakwater Cafe, and Helijet pay property taxes through GVHA as landlord. (Note: *Butchart Gardens makes significant income from the cruise tour business and is not located in Victoria.*)

### ***Cruise and the Covid-19 Pandemic***

The 2019 cruise season saw 256 ships, with 709,042 passengers (with likely 53-71% disembarking). GVHA's operating revenues were \$16.3M. The Pandemic left GVHA without its main revenue source, cruise tourism.

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## ***Considerations Going Forward***

### ***Victoria and James Bay***

***“The new normal: Don’t expect a return to pre-pandemic life”***. Andrew Duffy (Times Colonist March 14, 2021) writing about the cruise-ship industry post-pandemic, quoted Thomas Homer-Dixon, Director of the Royal Roads University-based Cascade Institute: *“I have long felt that Victoria has made an unwise bet and a massive economic commitment to this industry,”* noting the sector has proven for years that it’s vulnerable to disease.

For residents near Ogden Point the pandemic has also brought clean air, quieter summer evenings, and lack of road-traffic congestion.

Cruise tourism has been a mixed blessing in Victoria. The direct economic benefits for Government Street shopkeepers, local tour operators and attractions, taxi and bus companies are well known while the costs are hidden from most residents of Victoria and in the region. The unseen costs are local air pollution and noise pollution, traffic congestion, quality of life in the surrounding James Bay neighborhood, and the crowding out of residents in the downtown shopping area. Public costs that are often forgotten are the direct subsidies, forgone property tax, and infrastructure costs of roadways, garbage cans, and clean-up.

The cruise ship industry has profited from Victoria’s many attractions yet they have not invested in the community much beyond what is necessary to dock and service their ships. This industry that pays little or no national, provincial or local taxes, operates under flags of convenience and has a history of environmental, labor, and health controversies. GVHA has never set an upper limit to cruise ships visits in a season or even in a day, even when the Cruise Line International Association (CLIA) advised otherwise in 2014.

While rapid growth of the Alaska cruise market was fueled by the popularity of the cruise industry’s low cost one week all-inclusive mass market cruise business model, social and environmental impacts on the James Bay neighbourhood grew.

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## ***Capture More Value***

### ***Victoria as a Port-of-Call***

In 2019 the base value of Victoria as a Port-of-Call for cruise-lines was about CAN\$700 million, close to triple the City’s operating budget. This value is based on forgone fines which could be levied on “foreign-flagged” ships transporting passengers between American ports (fine is US\$798/pax or ~CAN\$964/pax). With profits from excursions, the value to cruise lines is even greater. Although the U.S. Passenger Vessel

Services Act (PVSA) has been identified by as a reason for using Victoria as a Port-of-Call, surveys suggested about a third of ship calls were independent from the PVSA.

GVHA, the City of Victoria, and the Province of BC did not take advantage of the value or “price” of Victoria as a port-of-call to the cruise industry. Rather than have the industry support infrastructure which supported their operations, as airports do, subsidy through taxpayer support was sought.

### **Other Jurisdictions**

Other jurisdictions around the world are levying fees to provide revenues to local governments to cover local infrastructure costs. These are discussed in more detail in the Overtourism section of **Fair Sailing**.

An excellent example is found in Alaska. Federal Maritime commission fact finding Investigation No 30: INTERIM REPORT: ECONOMIC IMPACT OF COVID-19 ON THE CRUISE INDUSTRY IN ALASKA, WASHINGTON, AND OREGON October 20, 2020 stated: *“The CVP tax is not the only source of revenue for the state and local governments. According to the Revenue Sources Book, in 2019, the state received \$1.3 million from the Environmental Compliance Fees, \$4.2 million from Ocean Ranger Fees, and \$10.1 million from the large Passenger Vessel Gambling Tax.”*

This was in addition to the dockage/moorage revenue which is similar to the fees levied by GVHA.

For several years, some cities in Alaska levied a per passenger tax. Since 2000, Juneau has charged a per passenger fee on cruise ships that docked in its ports. Although this fee has been contested by the industry, and changes have now been made to confine the items which could be funded with the tax, for several years the city used those funds to augment health services, the costs of operating a public restroom, and improvements to city facilities in order to make them aesthetically pleasing to visitors.

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### **What Residents say**

*“We recognize that many businesses in the city rely on tourism and the business from cruise ships, and that tourism is going to be even more important for them to recover after the pandemic. We support that, but there is also a need to balance the livability of our neighbourhood.”*

*“I don’t want the money so much as I want Victoria to remain a healthy haven for its citizens, but we need to be firm against the pressure placed everywhere by the cruise ship lines. They will fill any power vacuum allowed them.”*

*“... there are so many jobs in our city that depend directly on the cruise ship industry. We have seen the devastating effects that the lack of cruise ships has had on small businesses but I worry even more about the effect that it has had on the loss of summer jobs for our college and university students.”*

*“Having said all of this, I do realize that this industry has created a lot of jobs for people locally, and that is a good thing. I would support a cruise ship industry if it were to be drastically scaled down in Victoria. There would still be jobs available to service the tourists, but fewer jobs. If we are to have this type of industry there has to be a balance that is achieved with the residents' quality of life and an enjoyable experience for tourists, but with less of an impact.”*

*“Cruise ship companies don’t pay their share of taxes.”*

*“Pressure to continue with “business as usual”. Downtown businesses will be looking forward to the customers brought in by the cruise ships. I know people who are employed . . . “*