

## Feature: Service Exports – Shipping and Professional Service Industries Bring in More Overseas Revenue

Harbours, airports, pipelines, power lines, trucking and railroad services have proven to be among British Columbia's best sources of income from outside the province. Transportation industries accounted for 40% of the province's international service export dollars in 1995, far more than any other service category.

But while transportation industries have traditionally accounted for most of the province's sales of services to non-residents, and still do, they are rapidly giving way to a broad range of business and professional services being provided by British Columbia companies to clients in Asia, Latin America, the United States and elsewhere.

### What Is a Service 'Export'?

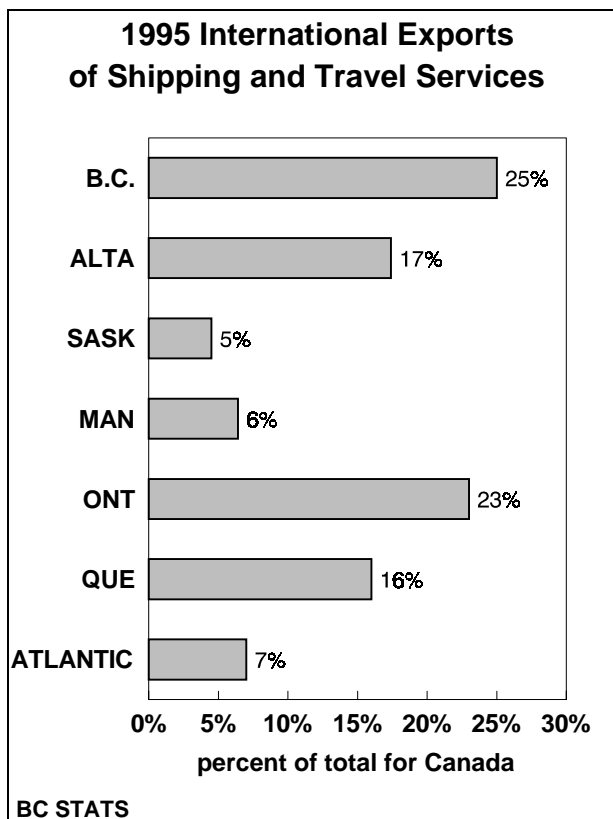
Service exports are not always as obvious as exports of goods, such as lumber or radio transmitters for example. Some service exports take place when British Columbia based professionals (such as lawyers, engineers or accountants) go to work for a period of time in another country or province, and remuneration for their services is brought back to British Columbia. A service export is also said to take place when, for example, an architect resident in British Columbia produces plans in his or her British Columbia offices for an overseas client. Another less obvious example of a service export transaction would be a Japanese student attending high school in British Columbia, and paying with funds brought from Japan.

Most 'exports' of shipping or travel services involve activities taking place within the province itself, but ultimately paid for by non-residents. For example, a service export is said to take place when goods are shipped from, or through, the province and importers pay for shipping, handling and storage. These transactions might be recorded from the billing records of port or airport authorities, railroads or

road haulage companies. Travel expenses paid to British Columbia residents by overseas or American tourists are another service export in this general category. Most such exports depend on the use of transportation facilities such as seaports, airports, railroads pipelines, electric transmission lines and highways.

### Transportation Industries Big Service Export Earners

With its coastline including all of Canada's Pacific ports, it should not be surprising that British Columbia has grown into Canada's leading 'exporter' of shipping, storage and travel services. In 1995 the province earned 25% of total Canadian income gained from foreigners for shipping and travel services. Ontario accounted for 23%, while Alberta and Quebec earned 17% and 16%, respectively.



The capacity to ship natural resource commodities to market has long been critical to economic growth in British Columbia. The completion of transportation infrastructure projects like the Canadian Pacific Railway line to Vancouver in the last century and the Canadian National Railway line to Prince Rupert in the early part of this century were defining events in the province's industrial history.

The railways served to bind British Columbia within confederation by moving goods and people between the Pacific coast and the rest of Canada. They also provided the means for British Columbia and the rest of Canada to trade with Asia, Australia and other Pacific markets.

It has mainly been the Pacific Rim link that has spurred development of transportation infrastructure in recent decades. In the 1970's and 1980's, rapidly increasing demand from Japan and South Korea led to the building of the Roberts Bank coal terminal at Tsawwassen, the electrified rail line to Tumbler Ridge and major upgrades to existing rail lines.

### **New Projects Promise More Exports of Transportation Services**

Yet another crop of transportation infrastructure projects has taken shape in the 1990's, inspired by continuing growth in Asian trade and tourism. The value of Canadian exports to the Pacific Rim grew 62% between 1990 and 1995. Imports passing through British Columbia ports climbed 66%, and tourism (revenue) from Asian and other Pacific Rim visitors to the province jumped 105%.

As the newest facilities come into operation it can be expected that the province will further expand its role as an 'exporter' of transportation services.

Two of the most important transportation infrastructure projects of the 1990's are the just completed \$350 million expansion of Vancouver International Airport, and the soon to be completed Deltaport container terminal at Robert's Bank, valued at \$224 million.

*Deltaport* is expected to nearly double container handling capacity for the Port of Vancouver to more than 1 million 20 foot-equivalent-units. It will ensure the Port of Vancouver's status as the leading container port for westbound cargo in North America.

In addition to this project, there have been expansions and improvements at the Port's nine existing general cargo terminals, used for handling lumber, plywood, pulp, steel and other products.

Movement of bulk cargoes such as coal, sulphur or copper ore still account for over 80% of annual tonnage through The Port of Vancouver. This traffic has been streamlined through new computerised process control systems, railcar unloading facilities and other capital investments.

Passenger cruise ship facilities have also been expanded, and now serve more than 700,000 revenue passengers annually, through 300 sailings.

Over the next few years, further improvements in the Port's capacity can be expected from projects now in the proposal, or early planning stages. These include a \$175 million agricultural products terminal in Delta, a \$25 million wharf upgrading in North Vancouver, a \$35 million rail terminal in Pitt Meadows, \$19 million in dock improvements in New Westminster, port development in Squamish and port and pipeline work for a proposed liquefied natural gas facility at Kitimat.

Prince Rupert, the province's second largest port, expanded its facilities in the 1980's with the construction of new coal, grain and general cargo facilities, but has not grown further in the 1990's. Although it can boast shorter sea routes to Asia destinations, its traffic has not greatly expanded recently. The Port still offers unused capacity and undeveloped tidewater sites for additional export terminals, should they ever be needed. With no container facilities and relatively far from major cities, all but a small part of its traffic is in exports of commodities of coal, lumber, pulp, wheat and other grains. There is relatively little import traffic of any sort.

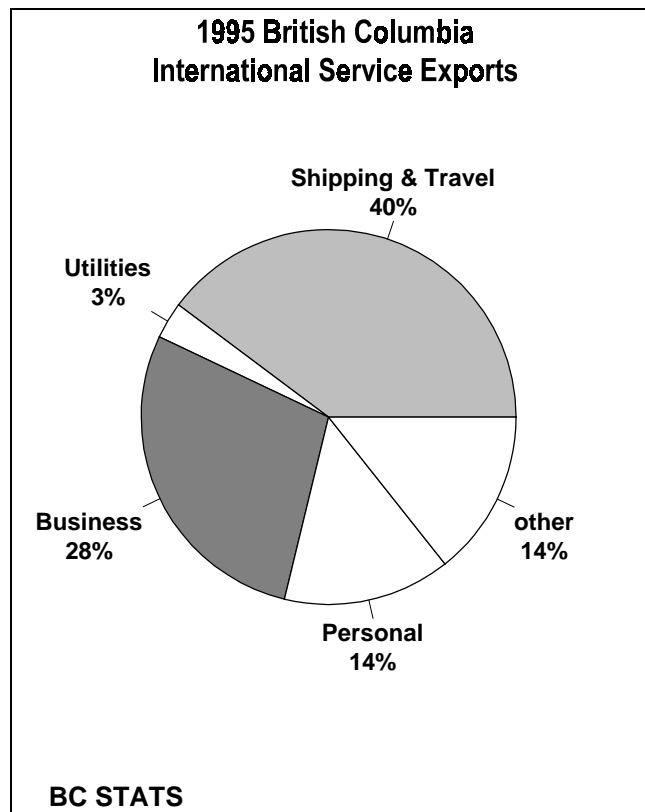
*Vancouver International Airport* completed its expansion last year, expanding its aircraft movement capacity by 42%. Besides the more familiar passenger, retail and restaurant facilities, the airport now offers freezer and seasonal cargo storage for fishing charter companies and float plane docks with storage and fuelling services. Expanded facilities for air freight shipping reflect the increasing importance of high value food goods and high technology products in the province's merchandise exports.

Since privatisation in 1992, the new self-supporting Vancouver International Airport Authority has begun to generate additional income from service exports other than just the operation of travel, shipping and storage facilities. Through its subsidiary YVR Airport Services, Vancouver International has taken contracts to operate a 1 million passenger per year airport in Bermuda and the Hamilton International Airport in Ontario. It has also provided consulting services for airports in Argentina, Russia, Malaysia, Chile, Oman and three in China, and is developing business plans with airports in Lethbridge and Grande Prairie, Alberta.

### **New Types of Service Exports**

Although they are associated with airport operations, the out of province activities of YVR Airport Services are not so much transportation service exports as they are exports of business services. They are part of a healthy surge in sales of expertise from the province's business and professional communities. Between 1991 and 1995, exports of business and professional services grew from 23% to 28% of total international service exports.

The kinds of businesses involved are as wide ranging as engineering, environmental consulting, architectural services, legal services, banking or education services, to name only a few.



The appearance of many new (for British Columbia) and varied types of business service exports parallels the emergence of new secondary manufactured goods in the province's mix of export products. They are further evidence that the provincial economy is slowly being weaned off its long dependence on natural resource production.

Like rapidly globalizing world trade in goods, the international exchange of business and professional services works increasingly both ways. This is reflected in British Columbia statistics on trade in business services. The province's international exports of business and professional services grew 106% between 1991 and 1995, while its imports of these services grew 78%.

Many of the British Columbia companies that have been most successful in penetrating foreign markets have been those with skills and experience gained serving the province's extensive natural resource and transportation industries.

*Engineering consultants* from British Columbia, for example, have found markets overseas for expertise developed in pulp mills, sawmills, mines or hydroelectric power facilities. Figures from the Consulting Engineers of British Columbia indicate 1995 international exports of \$390 million, more than the value of salmon or zinc exports.

John Wilkins, Executive Director of the association lists locations all over the world where their membership have worked on projects ranging from harbour facilities to waste disposal and fresh water systems

'In recent years,' he notes, 'there have been many projects in South East Asia, where British Columbia engineers have been able to make good use of skills and experience acquired from working on resource and transport projects at home.' Among these he identifies, 'pulp mill projects in Asia, mining projects in Chile, airports and roads in Africa and port facilities and waste water treatment plants in the Caribbean.'

*Architecture* firms based in British Columbia have also made important inroads into Latin American and Asian markets.

The Export Council of Canadian Architecture, a group of about 12 architectural firms, is focused on selling wood frame building expertise to Asia. Their President, Keith Hemphill, declares that, 'Asian interest is growing extremely fast in wood frame technology, particularly in China, Korea and Japan.'

Asian interest in wood frame structures has been amply proven by the very rapid rise in exports of prefabricated houses to that market in the past two years. From monthly sales of about \$3 million in 1990 and 1991, they have risen very rapidly to about \$10 million monthly in the second half of 1996. These ventures have sometimes included the services of British Columbia construction workers travelling to Asia to assemble houses on-site.

Overseas design contracts awarded to British Columbia architects have most

typically been for structures larger than single family homes. They have included, for example, hotels, airport facilities, arenas, subway stations, apartment buildings, timber structure community centres and brew pubs.

The relatively small size of many architectural firms in British Columbia has sometimes posed a problem in bidding on overseas contracts. Alan Hart, a partner with Baker McGarva Hart, an architecture firm with about 20 employees, notes that smaller British Columbia firms often have to partner with other Canadian firms to spread the risk.

*Accounting* and business consulting companies have been doing work internationally for many years. Reports from some firms operating out of British Columbia suggest that overseas work, and work in the United States has been increasing in recent years.

Price Waterhouse, for example, reports doing more work in Hong Kong and China and becoming more 'integrated' with offices south of the border. Tom Chambers, National Managing Partner Audit Business Services, notes that they have also been moving increasingly into South America by following Canadian mining companies doing business in that part of the world.

Enthusiasm for selling services to foreigners has recently taken hold in organisations in which it might never have been expected a few years ago.

Officials from *post secondary institutions* and representatives from several provincial *school boards* were among the British Columbia contingent on the Team Canada Trade Mission in January. The school boards were actively seeking to increase the number of fee paying Asian students in their high schools. Post secondary institutions were pursuing a variety of service-for-fee projects.

Overseas initiatives undertaken by British Columbia universities have included, for example, a University of British Columbia agreement with a Bangkok hospital to

have medical students attend U.B.C., a Simon Fraser project to develop a multimedia university in Malaysia and University of Victoria programs for English as a second language (ESL) and business studies.

The University of Victoria programs include receiving 1,500 international students per year in its English Language Centre and delivering its Masters in Business Administration program in Thailand and Malaysia. There is also a Certificate Program in Computer Based Information Systems being offered in Hong Kong and Mauritius.

### More Services Than Goods Exported to Other Provinces

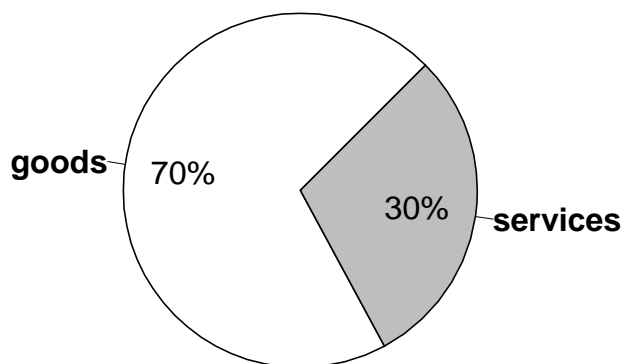
While services provided to foreigners accounted for only 30% of the province's export revenues from outside Canada in 1995, services to other Canadians accounted for 69% of trade revenues from other parts of Canada. British

Columbia still exports mainly goods outside Canada, but mainly services to other parts of Canada.

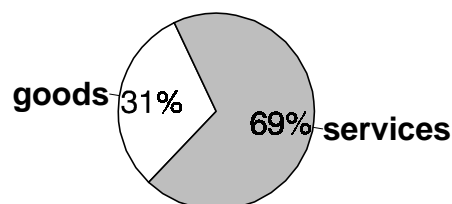
The value of services provided to residents of other parts of Canada was roughly equivalent to the value of international service exports. They accounted for most of the province's interprovincial exports because its merchandise exports to other provinces were relatively small.

Like international service exports, interprovincial service exports have been built largely on British Columbia's strategic advantage as Canada's 'gateway to the Pacific'. In 1995, 30% of the province's service exports to other provinces were concentrated in shipping and travel, up from 26% in 1991. Revenues from interprovincial exports of shipping and travel services were greater than for any other province except Ontario.

## British Columbia 1995 Exports Goods and Services



International Exports



Interprovincial Exports

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