

**THE THIRD CROSSING SOCIETY**  
**1a-7624 Duncan Street,**  
**Powell River, B.C. V8A 5L2**

**THE CASE FOR A THIRD CROSSING OF BRITISH COLUMBIA**

**Linking Vancouver Island, the Upper Sunshine Coast,  
the Sea to Sky Communities and the Central Interior**

December 11, 2014

*(At this writing, the following had all voted their unanimous support in principle for the project described here: the Regional Districts of Powell River, Squamish-Lillooet, Alberni-Clayquot; the City of Powell River, the Sliammon First Nation, the Town of Comox, the Comox Valley Airport Commission, the Pemberton and Powell River Chambers of Commerce, the Powell River and Sunshine Coast Real Estate Boards and Powell River Tourism.)*

We are often asked why we call ourselves the Third Crossing Society. Few think about, or perhaps understand, the fact that British Columbia's existence and well-being have, from earliest times, depended on east-west, cross-province transportation corridors, of which we have effectively only two. Because Vancouver Island is a large part of our province, both corridors include not only highways but ferries. Thus, unless the Province decided to throw a bridge across the Georgia Strait, ferries must remain an element in any cross-province corridor.

Today, British Columbia's first and most-travelled east-west crossing runs from the south end of Vancouver Island by ferry to Vancouver, and then along Highways 1, 3 and 5 to the rest of the province, Alberta, and beyond. The second runs by ferry from Haida Gwaii to Prince Rupert and by highway from there to Prince George and points north, south and east. ►

As its name suggests, the Third Crossing Society advocates construction of a road that crosses BC's coastal mountains – a mid-province ferry and highway economic corridor that links northern Vancouver Island with the rest of the province via the Central Interior.

The Society has been building local and regional support for this proposed corridor, and submits that in fairness to the communities that generate so much of the province's wealth, it should be an element in any transportation infrastructure plan.

The beauty of the proposal is that three of this corridor's components are already in place: the Vancouver Island highway system; the Comox-Powell River ferry; and the Sea to Sky Highway. All that would be required to complete the job would be construction of about 42 kilometres of new road, upgrading of 135 km of existing logging roads, and a tunnel of 3.2 km, for a total length of about 177 km. Eventually, it would also entail upgrades on Highway 99 to make it suitable for heavy commercial traffic, although perhaps not immediately.

The figures presented in an earlier version of this paper were 35 km of new road, and 185 km of logging road upgrades for a total length of 215 km. Measurements based on GPS co-ordinates have since allowed us to make the more precise estimates.

Similarly, the original cost estimate was pegged at \$503-million. Further investigation made it clear that the project can be completed for between \$500- and \$600-million – there are too many variables to pin it down more closely than that, at this time.

The payback would be economic stimulation of a large swath of the province just north of the Lower Mainland in the first instance, but the *whole* province as time goes on.

The proposal described here has a key advantage over certain others, in that it would not entail the very considerable cost of crossing private land.

Like those who advocated the Coquihalla, the Society has been promoting this mid-province corridor for a long time. For reasons described below, we are convinced that it would not only benefit the whole province, it would be economical.

A challenge it may be, but in a province where the mountain ranges run north and south, construction of railways and highways running east and west has *always* been a challenge, and British Columbians always meet it, thereby greatly enhancing the economic growth and well-being of our inland communities, many of which would otherwise be marginalized. The Hope-Princeton, Fraser Canyon and Coquihalla highways are notable examples of challenges met, missions accomplished.

The third crossing proposal in the past has taken a back seat to some other priority, such as the 2010 Olympics. With the closure of two paper mills, and upwardly spiralling ferry fares, the coastal communities have fallen on hard times. Our economy needs adjustment, and a mid-province corridor linking the vast regional economies of northern Vancouver Island and the area north of the Lower Mainland, would produce an economy much greater than the sum of its parts, because that is what such links always do.

## OVERVIEW OF BENEFITS

The proposed corridor would:

- Stimulate the economies of every community in its path, and in the vast areas of the province at both ends;
- Open up a new tourism and recreation playground in the mountainous and virtually inaccessible terrain between Squamish and the Upper Sunshine Coast;
- Make British Columbia even more attractive to the wave of winter-weary retiring baby-boomers already rolling west;
- Reduce traffic congestion at the Horseshoe Bay ferry terminals and on Lower Mainland highways, while extending their economic life;
- Boost traffic on the Comox/Powell River run, improve BC Ferries' bottom line, and perhaps engender service improvements instead of reductions;
- Encourage the development of Powell River as a port, a federal legal designation it already possesses;
- Reduce travel time and costs for traffic between northern Vancouver Island and the Central Interior, and free travellers from the time constraints of ferry schedules.

It is also worth noting that whatever savings in time or money accrue to individuals and families would also accrue to the operators of commercial vehicles.

## BENEFITS CLASSIFIED AND ANALYZED

Below, we classify the benefits into three categories:

- Benefits identified and quantified – offsets
- Benefits identified but not quantified
- Potential benefits to be evaluated

### **Benefits identified and quantified - offsets**

<b>Federal assistance 1/3</b>	<b>\$183 million</b>
<b>BC Ferries Comox/Powell River</b>	<b>50 million</b>
<b>Tolls</b>	<b>25 million</b>
<b>Total cost offsets to date:</b>	<b>\$258 million</b>

### **Federal funding assistance**

Under the Infrastructure Stimulus Fund and the Building Canada Fund federal government assistance is available. Typically, these programs fund one third of a project's eligible costs.

Since British Columbia's funding allocation is \$1.09 billion over 10 years, the projects to be assisted will have eligible costs of \$3.27 billion.

As stated above, our project is estimated to cost between \$500- and \$600-million. That means it would receive 15 – 18% of the available funding assistance. Usually this type of federal assistance is spread out over a large number of projects. However, because this project would benefit so many communities and have such favourable implications for the entire province, it is appropriate that this project receive a large portion of the allocation.

Many of the communities that will be directly impacted by the proposed road have suffered for many years from the decline in forestry employment. This investment, the proposed road, will help restore vigour to those economies.

### **BC Ferries – Comox/Powell River**

The proposed road will doubtlessly add to the ridership on the Comox/Powell River route and significantly reduce its annual operating losses. Riders from the central and northern parts of the Island wishing to travel to the central and northern interior will no longer have to use the overcrowded southern ferry routes. Similarly, Islanders may elect to travel to the Lower Mainland using the Comox/Powell River Ferry. These changes will also apply in reverse.

The positive shift from moving increased traffic to the Comox/Powell River route will move traffic away from the overtaxed Horseshoe Bay and Tswassen/Nanaimo runs and avoid costly expansions for many years to come.

We have not estimated the quantum of this increased ridership, but it is likely to be significant. The benefit that would accrue to BC Ferries is that traffic would be transferred from the over-utilized southern routes to the under-utilized Comox/Powell River run. We argue that revenue on the southern routes would not decline (indeed there is an argument that it could increase), but the extra revenue for Comox/Powell River would convert to extra profit for BC Ferries.

Our hypothesis is that traffic on the Comox/Powell River route could increase by 25% or even 50% due to the extraordinarily low ridership on that run at present. Let's do the math!

	<u>2012</u>	<u>2013</u>
Vehicle traffic	145,705	136,530
Passenger ridership	352,820	329,098
<i>Assumed average fares of \$50 for vehicles and \$15 for passengers produces:</i>		
Theoretical vehicle revenue	\$7.3 million	\$6.8 million
Theoretical passenger revenue	\$5.2 million	\$4.9 million
Theoretical total annual fare revenue	\$12.5 million	\$11.7 million
Adjustment to actual fare revenue	\$11.7 million	\$9.0 million

If our hypothesis of increasing revenue by 25% or 50% were to in fact materialize, then based on the actual revenues for 2013, it could increase say \$2.5 or even \$5.0 million. This would be an annual extra profit that would last forever. Calculating the capital value of that annual saving is a

sophisticated process that includes determination of an appropriate capitalization rate. Therefore, we have simply assigned a capital value of 10 times the annual saving.

The saving, on that basis, provides an offset to the cost of the highway of \$25 to \$50 million or more. For now, we are taking the 50% hypothesis, say \$50 million.

## **Tolls**

Tolls can produce significant revenue. Over 22 years, tolls on the Coquihalla produced \$845 million, almost equivalent to the cost of the highway, \$848 million.

Vehicle traffic on the Comox/Powell River ferry is about 140,000 per year. We have hypothesized that increases of 25% to 50% are possible from extra traffic over the road. That would convert to 35,000 to 70,000 vehicles per year over the proposed road.

The Earl's Cove/Salter Bay ferry carries about 165,000 vehicles per year. The vast majority of these would use the road and travel more frequently because of the lower cost. A figure of 200,000 vehicles per year is reasonable.

Combining these two sources of traffic, 250,000 vehicles per year, at \$10 would yield tolls of \$2.5 million. Over only 10 years that would contribute \$25 million to the cost of the road.

## **Benefits identified but not quantified**

There are additional potential economies that have been identified, but are not yet quantified. These economies would accrue to BC Ferries in the form of relieving pressure on existing systems. For example, on September 30, 2014, BC Ferries stated that \$200 million was needed to relieve shore-side congestion at Horseshoe Bay terminal. Drawing traffic from the Horseshoe Bay/Nanaimo route to the Comox/Powell River route will not only enhance the economies at Comox/Powell River, it will relieve pressure at the terminal, both shore-side and marine-side.

Similar economies will accrue to BC Ferries by relieving pressure on the vessels themselves. We note that in recent years ridership has decreased largely due to increased fares (and perhaps other reasons), but it is estimated that British Columbia's population will increase 25% over the next ten years. Deferring the purchase of expensive vessels, or using smaller ones, will provide a significant benefit. We look forward to working with BC Ferries to produce estimates of those potential savings.

## **BC Ferries - Capital Benefits**

Unlike the Washington State ferry system, which is largely a commuter service, BC Ferries has a significant seasonality issue: in summer ridership is high, for the rest of the year it's relatively low, and as in all such situations, the demand in peak season sets the capacity levels of vessels so that an acceptable service level is achieved.

Above, we estimated the improved annual profitability that would accrue to the Comox/Powell River route. As a result of that shift, other facilities would see reduced traffic that would defer the need for capital outlays, and that, of course, would benefit the ferry system. It is noted that in

recent years ridership has declined, but, hopefully, that issue will soon be resolved. In any case, estimated population growth of 25% (one million) over the next 10 years will result in significant growth in demand.

A specific financial benefit of moving traffic from the Departure Bay route to Comox would be the opportunity to defer the expenditure of an estimated \$200 million at the Horseshoe Bay terminal to remove both the shore- and marine-side congestion there.

## **Potential Benefits to be evaluated**

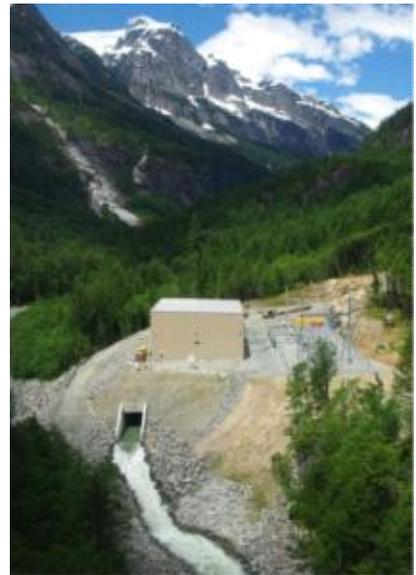
Finally, we have identified several potential projects that could generate positive economic benefits in our province. These potentials require research and evaluation. Again we would welcome the assistance of qualified professionals to help make these determinations.

- Run-of-river
- Mining
- Aggregate
- Shipping
- Ski resort
- Housing and the baby boomers
- Recreational opportunities
- Tourism opportunities

### **Run-of-river projects**

Increased access to rivers could create additional, and more economic, run-of-river opportunities.

Unlike traditional hydroelectric facilities, which flood large areas of land, run-of-river projects divert a portion of the river's flow into a pipe called a penstock, which transmits the water down-hill to a generating station. The natural force of gravity creates the energy required to spin the turbines that in turn generate electricity. The water leaves the generating station and is returned to the river. The Toba Montrose project pictured below, opened in 2010, cost \$660 million.



**Right:** *Alterra's run-of-river project near Toba Inlet.*

### **Mining potential**

Opening new areas creates the potential for additional exploration. The Third Crossing Society is investigating opportunities and will be consulting with experts at the BC Geological Survey and others.

### **Sourcing aggregate for domestic and export markets**

There are existing opportunities for exporting aggregates. Increased access could increase immediate benefits.

## Shipping development

Catalyst's mill at Powell River is deep enough to serve international shipping needs, and City Transfer currently operates a barge terminal. Building the proposed road would give BC an additional outlet for exports, and in fact the potential for LNG export from there is being studied.

## Potential ski resort area

Triple Peaks, located about 6 km from Goat Lake, on Goat Lake 2 logging road. The three peaks (elevation about 2000m) surround a valley. A ski resort may be feasible. For comparison, note that the summits of Mount Washington and Whistler are 1587m and 2184m respectively.

## Housing and the baby boomers

Recently Vancouver was declared the most expensive city in Canada. House prices throughout the Lower Mainland are through the roof. Combine that with the understanding that the baby boomers began to hit retirement age in 2012 and will continue to retire until 2031 and you have a mega-opportunity for the coastal regions.

Retirees from urban centres everywhere are shedding their high-priced real estate and relocating to coastal communities, pocketing substantial (and taxable) nest-eggs in the process. They're arriving from the Lower Mainland, Alberta and points east and this should be a long process. The road will enhance these migrations, and wherever retirees come to roost, economies will prosper. Like our climate, BC's natural beauty, and those nest-eggs, good roads to the coastal areas will be big drawing cards. They're arriving from the Lower Mainland, Alberta and many other points east, and this should be a long process. It is estimated that recently, 25 to 30% of home purchases in the Parksville to Comox area have been to buyers from out of province.



**Above:** *Vancouver West house: \$3,590,000.*

**Below:** *Powell River house: \$329,000*



## Recreational opportunities

BC's coastal and central interior areas are among the most popular tourist destinations in the world. World class boating, skiing, SCUBA diving, fishing, camping and hiking opportunities are abundant. The proposed road will increase access to existing attractions and create new opportunities.

### Boating

Our waters are among the best and most famous cruising destinations in the world. Consider Desolation Sound and the entire Georgia Strait and Gulf Islands. Our Marinas and communities welcome boaters and offer first class service. Our lakes are destinations in themselves.



**Right:** *Early morning at anchor in Pender Harbour.*

### Skiing

Whistler, the interior mountains and Mount Washington... need we say more? Well yes, a new resort area is possible!



### SCUBA diving

Our best kept secret ... we know how to deal with our cooler water ... and divers say we have one of the best diving experiences in the world. Promotion of this activity would be enhanced with increased accessibility.

**Left:** *Powell River's mermaid in 50 feet of water near Saltery Bay.*

### Fishing

World class and world famous.

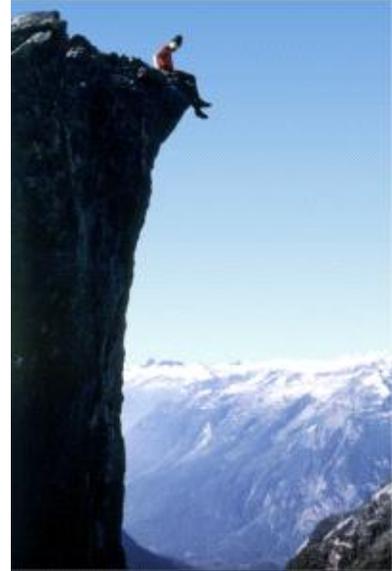
### Camping

New opportunities for everyone.

## Hiking

Our trail systems are well known tourist attractions, bringing visitors from afar and serving a large local population. Consider the West Coast Trail, the Sunshine Coast Trail, the Powell River Canoe Route, the Chief and Myra Canyon and hundreds of lesser known and yet to be discovered opportunities.

**Right:** Hanging out on Casement Mountain.



## CONCLUSION

It's no secret that vast resource revenue is produced on Vancouver Island and in the coastal regions, so it should come as no surprise that for most of the past decade, much of that revenue has been invested in transportation infrastructure in the Lower Mainland and the big population centres elsewhere in the province. That is perhaps inevitable.

But now comes news that an estimated \$2.3 billion has been sucked out of the coastal communities' economies by ever-increasing ferry fares, and it's only natural that the people living there, already hot under the collar about those fares, would begin to wonder whether they exist and work mostly for the benefit of BC's urban masses. It's enough to make *anyone* angry.

Those who live and work in the coastal communities feel that perhaps *their* needs, too, should be part of any transportation infrastructure plan.

The Third Crossing Society submits that British Columbia is more than just its teeming southern lowland and its resource rich north – it has a vast swath of territory at mid-province where east-west travel would inevitably lead to development and thus boost provincial revenue and prosperity – not just in Vancouver, Victoria and the Okanagan, but the forgotten communities everywhere.

Best of all, in the context of all the big projects of the recent past, this one can be brought home for a little over half a billion dollars, a very modest expenditure as such projects go.

Considering that \$16 billion has been spent on transportation infrastructure in BC over the past thirteen years, it's difficult to imagine a highway project with as much wallop as this one for a modest \$500- to \$600-*million*. And we suggest that it's time some of that resource revenue made its way back to the people who produced it.

We invite those studying this proposal to also visit our website,

<http://www.thirdcrossingsociety.com>

**END**