# The Economic Benefits of Ferry Construction in B.C.

**by Jim Stanford, Blair Redlin, and David Fairey**

**With Economic Modeling Analysis by Robin Somerville**

**Centre for Future Work**

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## Summary

The decision by B.C. Ferries to procure four major new vessels for its fleet from China has sparked public concern about the economic consequences of offshoring production of such a significant component of B.C.'s public transportation infrastructure.

This report reviews the background to this decision, the current strengths and weaknesses of B.C.'s shipbuilding industry, and the substantial economic, labour market, and fiscal benefits that would be generated by sourcing future ferries from B.C. shipbuilding facilities.

Key findings of the report include:

- Shipbuilding countries around the world (including both China and the U.S.) routinely use a wide array of active industrial policies to support investment, innovation, production, and employment in their respective shipbuilding industries. Active industrial policy is a core and normal feature of global shipbuilding trade, shaping the competitiveness and success of all shipbuilding nations. Major procurement decisions are rarely left to "private market forces," and bid prices from foreign shipyards (shaped by those industrial strategies) cannot be interpreted as reflective of genuine relative efficiency.

- The history of Canada's and B.C.'s shipbuilding industries confirms that active industrial strategy is essential to successful shipbuilding. The National Shipbuilding Strategy implemented by the federal government beginning in 2010 is an outstanding example of the potential of active procurement policy to underpin strong growth in domestic shipbuilding.

- Shipbuilding has made a major contribution to B.C.'s industrial expansion in recent years. The industry has added 2,000 new jobs in the province in the last decade, and now accounts for 40% of shipbuilding employment in Canada. The provincial industry demonstrates strong quality, productivity, and technological capability.

- The decision to source new ferries from China foregoes enormous economic and industrial opportunity for B.C. Sourcing an equivalent value of shipbuilding from domestic yards would generate $1.5 billion in additional GDP in Canada (85% of that in B.C.), over 10,000 person-years of employment, and would return over $400 million in additional revenue to government coffers (providing a financial basis for public support for future procurement).

The report concludes with several policy recommendations to ensure that B.C.'s shipbuilding industry has the capability to fulfil future public procurement needs (including ferries). These include:

1. The provincial government should establish a Ministerial-level task force to coordinate the development and implementation of a robust provincial shipbuilding strategy.

2. The provincial government should amend its contractual and fiscal arrangement with BC Ferries to require the firm to maximize economic benefits from domestic procurement of future vessels and other purchases.
3. That revised mandate for BC Ferries should include a commitment to accelerate the electrification of ferries, and the provincial government should further support the development of B.C. technological and industrial expertise in electric vessels.
4. The provincial government should lead the formation of a consortium of firms to organize and plan the expansion of future shipbuilding capacity in B.C. The consortium should explore all options for expanded capacity, including through new stand-alone facilities, expansion of existing facilities, "split build" arrangements involving multiple suppliers, and/or development of in-house shipbuilding capacity at BC Ferries.
5. The provincial government should be prepared to take equity stakes in future ventures that involve its financial support, as a way of solidifying those ventures' capital base, cementing their connection to B.C., and ensuring that the public shares in the profits of future shipbuilding.
6. The Ministry of Post-Secondary Education and Future Skills, working with industry stakeholders, should implement a strong marine sector workforce development strategy to ensure a steady and adequate supply of skilled workers for the shipbuilding and marine sectors.
7. The provincial shipbuilding strategy should engage federal government actions and support through several channels, including: reforms to the Canada Infrastructure Bank to require Canadian content in supported projects, amendments to the *Coasting Trade Act* to mandate use of Canadian-constructed vessels, integration of shipbuilding policy with the Major Projects Strategy and the Defense Industry Strategy, and strong trade policy measures to maximize Canadian content in purchases of steel and other inputs by domestic shipbuilders.

B.C.'s shipbuilding sector is a vital part of the province's industrial base. It has contributed substantially to our economic growth and technological capabilities. But the potential benefits of this sector are not being fully harnessed, relative to B.C.'s growing need for vessels and associated marine infrastructure. These recommendations would constitute a major step toward a lasting industrial strategy for this industry, to ensure that future public procurement of major vessels is allocated to domestic shipbuilders—thus allowing B.C.'s economy and workforce to fully share in the benefits of an industry so vital to a coastal province.

# Introduction

In September 2024, BC Ferries announced a New Major Vessels (NVM) procurement plan, to acquire the first of several vessels needed to replace aging ships on its major routes, and to accommodate growing demand for passenger services across its system. A request for proposals (RFP) to build five new ferries was circulated internationally. Contracts were expected to be awarded in spring 2025, following approval from the BC Ferries Commissioner. The new vessels were projected to begin entering service in 2029, with the last operational by 2031.

The new ferries will be among the largest double-ended ferries in the world. At 172 metres long and 27.6 metres wide, with a displacement of 11,800 tonnes, they are designed to carry 360 standard sized vehicles and 2,100 passengers and crew.

BC Ferries also announced at the time that it planned to extend the operational life of two existing C-Class vessels—the Queen of Surrey and the Queen of Oak Bay—with retrofit and repair work done through local shipyards. BC Ferries indicated that additional orders for two more NMVs would be issued later, to eventually replace these two aging C-Class vessels, possibly for entry into service in 2037.

The only major shipyard in B.C. with the capacity to build the new ferries is Seaspan Shipyards, with operations in North Vancouver and Victoria. However, Seaspan responded to BC Ferries' RFP by indicating it did not see an opportunity for the B.C. maritime sector to make a meaningful contribution to building these vessels, as a result of the nature of BC Ferries' proposals (which emphasized low cost as the deciding factor in selecting contractors), and the lack of incentives to include significant Canadian content in bids.

In March 2025, after reviewing BC Ferries' application for approval to purchase five new vessels, the BC Ferries Commissioner approved a capital expenditure for only four. Three months later, BC Ferries announced that state-owned China Merchants Weihai Shipyards had been selected to build the four new ferries.

BC Ferries' decision to assign this major piece of work to an overseas shipyard caused great disappointment among many B.C. residents and workers. B.C. has a successful and world-class shipbuilding industry, possessing both the technical capability and the skilled workforce necessary to perform work like this. Sending such a large contract overseas squanders a significant opportunity to boost investment, employment, and value-added in B.C. The fact that this decision was announced just as B.C., and the rest of Canada, were facing unprecedented threats from U.S. President Donald Trump's tariff actions, only added to the irony. At the very moment B.C.'s Premier was urging residents to "buy Canadian" to defend our economy, the provincial ferry service was doing the opposite.

BC Ferries justified its decision on grounds that no domestic builders submitted bids for the work, but that response is inadequate. If we hope to harness the economic and social benefits created by public procurement, the process cannot be managed passively based on whatever private companies do or do not step forward to offer their services. Particularly in an industry like shipbuilding, with long timelines and complex operational and supply chain

requirements, pro-active planning to create the conditions for maximum domestic benefit is required.

The provincial government's response to this chain of events was also inadequate. The government claimed variously that it had no power to interfere in BC Ferries' procurement decisions, that the contract with the Chinese shipyard was signed and could not be voided, and that its main responsibility was to ensure that BC Ferries functioned in a reliable and cost-effective manner. None of these responses excuse the government's failure to put in place a concrete shipbuilding strategy: one that would leverage public procurement to strengthen an industry that generates high-wage jobs and significant spin-off benefits for the provincial economy. And while the B.C. Premier has indicated a desire that future B.C. Ferries purchases are built in the province (Jussinoja, 2025), it will require a firm commitment to domestic sourcing and advance planning to convert this desire into reality.

The decision to build the first four new vessels in China has been made. But the lessons from this unfortunate string of events must be learned, so that history is not repeated with future procurement decisions. To that end, this report maps out initial actions that should be taken to prepare B.C. to perform future work on subsequent BC Ferries procurement, as well as other public and private projects (including a strong share of future shipbuilding work arising from the expansion of federally funded Royal Canadian Navy and Coast Guard fleets).

The report begins by describing the status of shipbuilding in Canada and B.C. Shipbuilding has been a growth sector in Canada in recent years, and B.C.'s industry has performed strongly during that time. The province now accounts for 40% of all Canadian shipbuilding jobs.

The next section of the report reviews the history of shipbuilding policy in Canada. Particularly notable is the clear success of the federal National Shipbuilding Strategy (NSS) in sparking a strong recovery in shipbuilding in both eastern Canada and in B.C. Over the last 15 years, thanks largely to work flowing under the NSS, the industry reversed a long decline experienced in the 1990s and early 2000s (a time when government followed a largely hands-off approach to industrial policy). The positive impact of the NSS stands as a clear example of the importance of clear public policy in underpinning industrial success in this sector.

The history of B.C. shipbuilding policy is inconsistent. At times provincial actions have been effective in achieving strong local content in procured ferries and other vessels, but at other times a hands-off approach resulted in the offshoring of significant volumes of work to other countries. The most recent BC Ferries decision is only the latest, and most painful, example of that failure.

The third section of the report reviews shipbuilding policy around the world. From the U.S. to Europe to Asia, the universal finding of this review is that no country has been able to retain and grow successful shipbuilding without strong pro-active policy backing from government. This is not an industry in which free markets and private business decisions rule the day. To the contrary, for reasons of both economic well-being and national security, countries act forcefully to ensure that their respective domestic industries can share in the industrial benefits of shipbuilding.

The fourth section of the paper reviews the key challenges to be addressed in a shipbuilding strategy for the province. These include the need to expand physical capacity of shipyards in the province, and several creative proposals for doing so are reviewed. Other elements of a successful industrial strategy for B.C. shipbuilding would include consistent investments in training new skilled workers and mariners, prioritizing the electrification of the BC Ferries fleet and other public vessels, and enhancing B.C.'s share of federal ship procurement through the NSS and new Navy and Coast Guard projects.

The final section of the paper provides the results of original economic modeling commissioned to describe the widespread economic and fiscal benefits of building major vessels in B.C. rather than importing them. This modeling was conducted by Robin Somerville, President of the QEDinc consulting group. Based on input-output relationships between industries and macroeconomic interactions, the modeling confirms that building major ships here, rather than importing them, generates substantial net benefits for the province. Simulating a hypothetical procurement of major vessels equivalent to the BC Ferries contract with China, the model projects a cumulative increase of $1.5 billion in Canadian GDP (85% of which occurs in B.C.), the creation of over 10,000 person-years of new employment, and a net fiscal gain to government of $413 million. That fiscal flowback to government provides economic space for the government to contribute financially to the domestic procurement of future vessels. More detail on the methodology and data sources of the modeling is provided in the appendix.

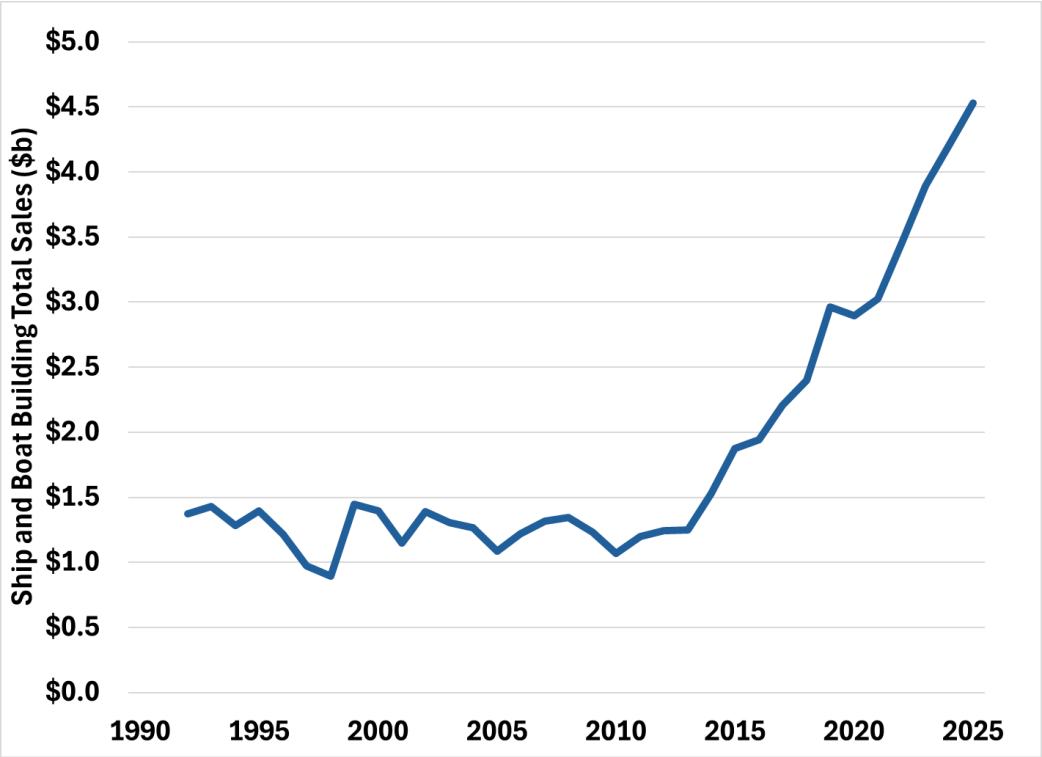
The paper concludes with a set of seven recommendations to guide the provincial government, other industry stakeholders, and BC Ferries in assembling all the ingredients required for a successful industrial strategy for this sector. The overarching goal of this effort should be to put the conditions in place so that no future public ship procurement on this scale is ever assigned to overseas shipyards again.

## Economic Profile of Shipbuilding

Shipbuilding is an important part of Canada's industrial economy, with a strong presence in British Columbia. The broader ship and boat building industry employs over 10,000 Canadians, 40% of them in B.C. The industry is also a source of highly-skilled, well-paid jobs. Average earnings in the industry were $82,650 in 2025; that is 20% higher than the national average. The industry sold some $4.5 billion worth of total shipments in 2025, and the overall volume of activity has grown significantly over the last decade, largely thanks to pro-active policy (such as federal and provincial shipbuilding strategies) and public procurement.

Figure 1 illustrates total sales of ship and boat building businesses in Canada. Total sales reached $4.5 billion in 2025. That represents an increase of 140% over the last decade (in nominal dollar terms, not adjusted for inflation). After a period of industrial decline in the 1990s and 2000s, shipbuilding activity began to pick up in Canada. Major orders for Navy and Coast Guard projects were an important spur for new domestic work. Active efforts by the federal government to enhance domestic content in those major procurement contracts amplified the positive impact on Canadian output and employment. About 90% of total sales in this industry are accounted for by larger shipbuilding; manufacture of smaller boats accounts for the remaining 10%.[1]

**Figure 1. Total Sales, Ship and Boat Building, 2001-2025**

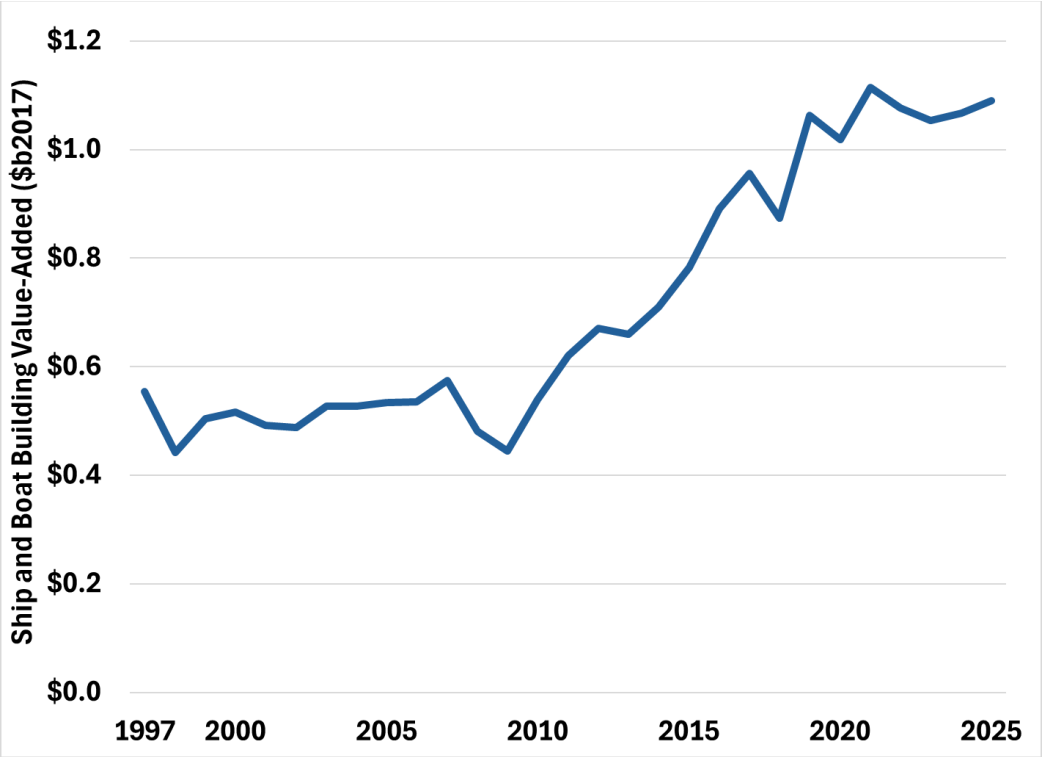



Source: Calculations from Statistics Canada Table 16-10-0047-01.

[1] Most Statistics Canada sources report data for the amalgamated ship and boat building sector, with no disaggregation between the two sub-groups.

Much of the value embodied in new ships is represented by the huge range of inputs and components needed for building a new ship. Steel, powertrain, navigation equipment, furnishings, and other inputs are purchased from outside suppliers. The industry spends about two dollars on input purchases, for every dollar of work performed directly in shipyards. Because of this heavy reliance on intermediate inputs, parts, and materials, the direct value-added produced by the shipbuilding industry makes up less than one-third the total gross value of sales. In 2025, the industry's GDP (value-added, after deducting the cost of inputs) was about $1.1 billion (in inflation-adjusted 2017-dollar terms, see Figure 2). That was more than double the industry's real value-added in 2010.

**Figure 2. Ship and Boat Building GDP, 1997-2025**

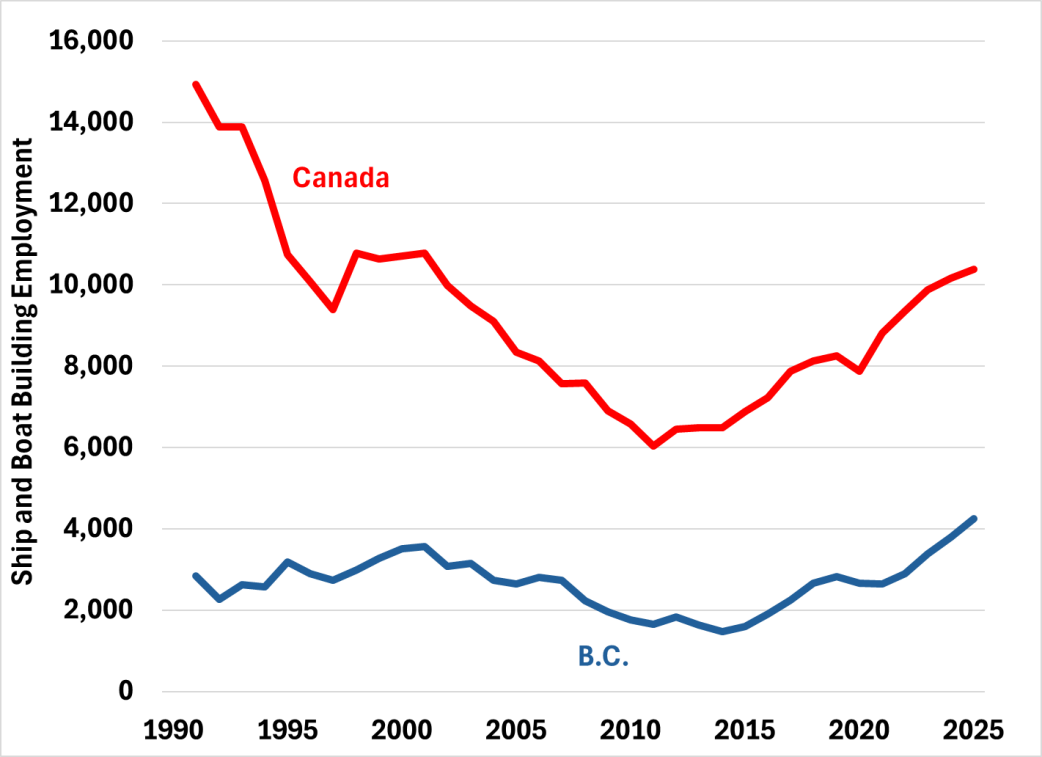



Source: Calculations from Statistics Canada Table 36-10-0434-06.

The industry's strong reliance on a sophisticated and far-reaching supply chain is one reason why strengthening the industry's domestic presence is so important: shipyards anchor a much larger body of activity in the myriad of steel, machinery, and equipment producers which provide them with necessary inputs. These indirect spill-over benefits of shipbuilding that reach a wide range of other industries are explored further in the quantitative economic analysis below. An important dimension of maximizing the economic benefits from shipbuilding is enhancing the Canadian content in that extensive supply chain. For example, steel is a crucial input in shipbuilding, Canada's steel industry is grappling with very challenging economic circumstances, arising from U.S. President Donald Trump's trade tariffs and other global pressures. As Canadian governments act to allocate more work to Canadian shipyards, therefore, it is equally important that they be working to mandate the use of Canadian steel in those projects.

Employment in shipbuilding has grown in step with the increase in sales and value-added in recent years. Total employment in Canadian ship and boat building surpassed 10,000 positions in 2025—once again, mostly in larger ship construction (not manufacture of smaller boats). That is a 70% increase from the low point of just 6,000 jobs in 2010 (Figure 3). Shipbuilding employment in Canada declined during the 1990s and 2000s, in part due to government neglect of naval and marine infrastructure, and in part to the impacts of free trade agreements. Despite the positive turnaround in total employment in the last 15 years, national shipbuilding employment remains well below peak levels experienced in the 1980s.

**Figure 3. Ship and Boat Building Employment, Canada and B.C., 1991-2025**



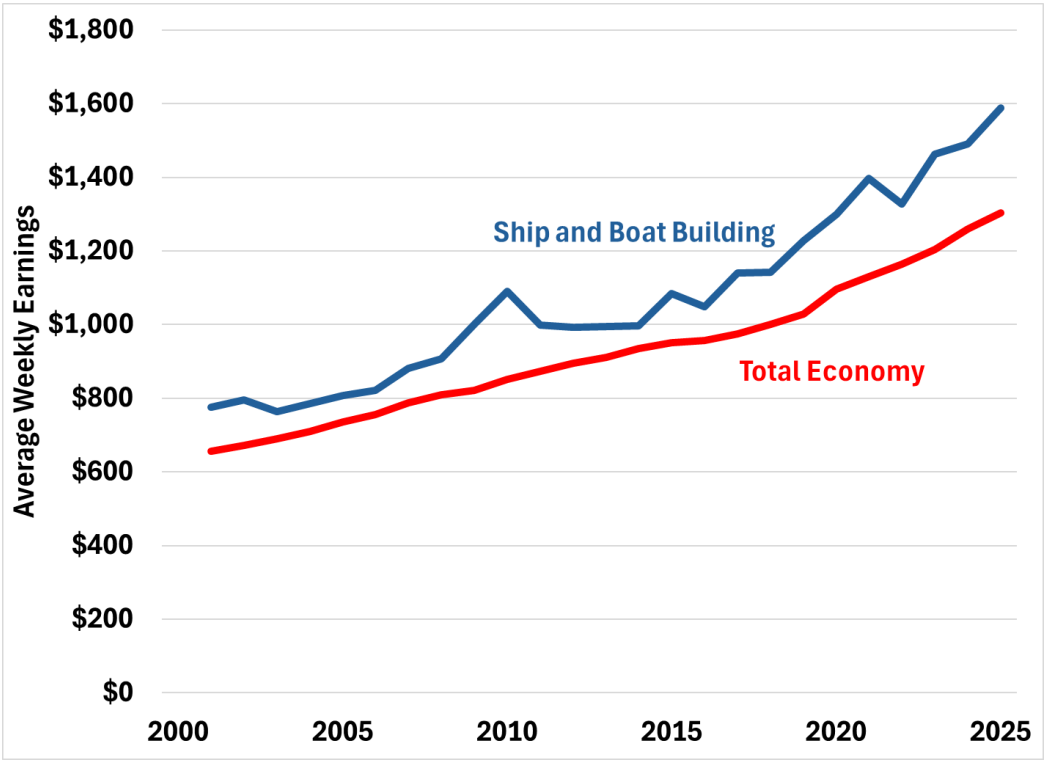

Source: Statistics Canada Tables 14100243 and 14-10-0202-01.

Employment in the provincial shipbuilding industry in B.C. fared relatively better than in the rest of Canada during this time. Provincial employment was stable (around 3,000) jobs during the 1990s and early 2000s, in contrast to the steep decline in national totals. This was partly due to ambitious provincial shipbuilding procurement policies by the provincial government in those years, including ferry construction. After some decline from 2002 through 2015, provincial ship and boat building employment turned around, and has more than doubled in the last decade. In the last ten years the provincial industry created over 2,000 well-paying jobs, with total employment surpassing 4,000 by 2025. As of 2025, B.C. accounted for over 40% of total ship and boat building employment in Canada—compared to less than 20% in 1990.

Thanks to the high level of skills required for this work, and the importance of strong unions (present in most shipyards and major suppliers) in improving wages, pensions and working conditions, average earnings in shipbuilding are significantly higher than typical for the

broader economy. Average weekly earnings in Canadian ship and boat building were almost $1600 per week in 2025 (see Figure 4). But even measured relative to consumer prices, real shipbuilding wages increased by about 1% per year over the past decade. Once again that was better than the economy-wide average, and reflective of the strong skills and productivity of shipbuilding workers, and the benefits of union representation. This is another important reason why supporting domestic shipbuilding is so important: it is an important source of well-paying jobs, underpinning consumer spending, household financial stability, and government revenues.

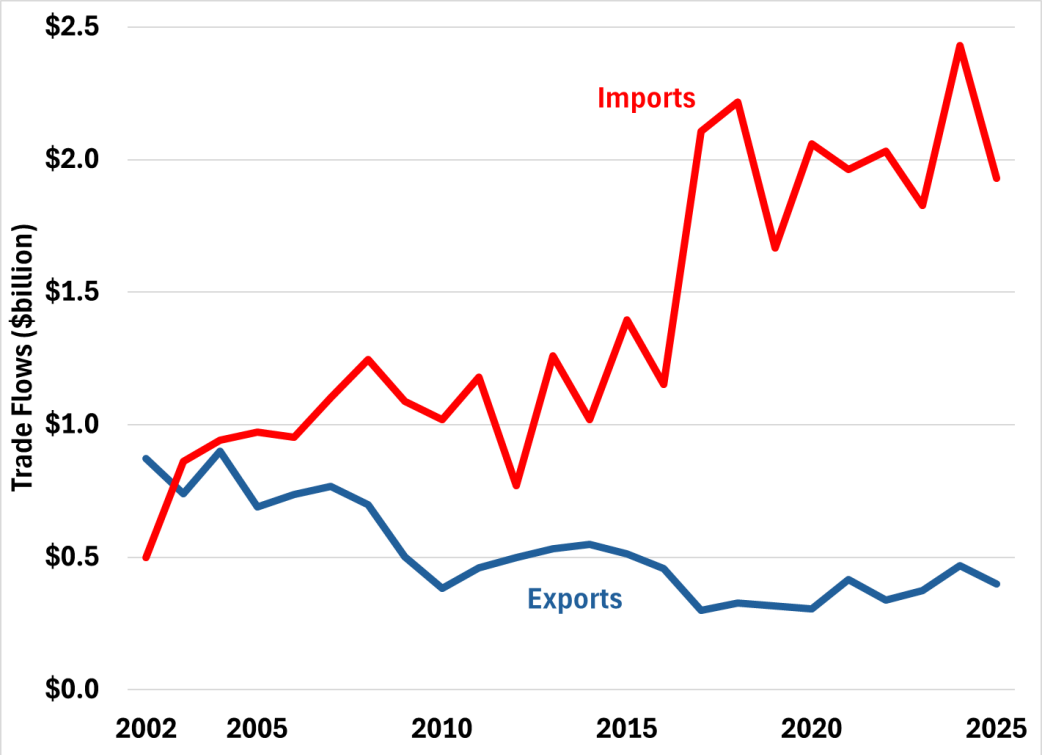
**Figure 4. Average Weekly Earnings, Canada, 2001-2025**




Source: Statistics Canada Table 14-10-0204-01.

While Canada's shipbuilding production and employment have grown notably over the past decade, that growth has not kept up with Canadian demand for new ships. As a result, Canada's reliance on imported ships has grown substantially. Figure 5 illustrates Canada's exports and imports of ships and boats over the past quarter-century. Canadian exports (most of which go to the U.S.) have been stagnant, averaging under $400 million per year since 2015. As of 2025, those exports represented less than 10% of total shipments from the Canadian industry. This underscores that the future of Canadian shipbuilding is dependent, first and foremost, on channeling domestic purchases to Canadian shipyards. If anything, that poor export profile will get worse in coming years as a result of U.S. President Donald Trump's unilateral and aggressive tariffs.

**Figure 5. International Trade in Ships and Boats, 2002-2025**




Source: Innovation, Science and Economic Development Canada, Trade Data Online.

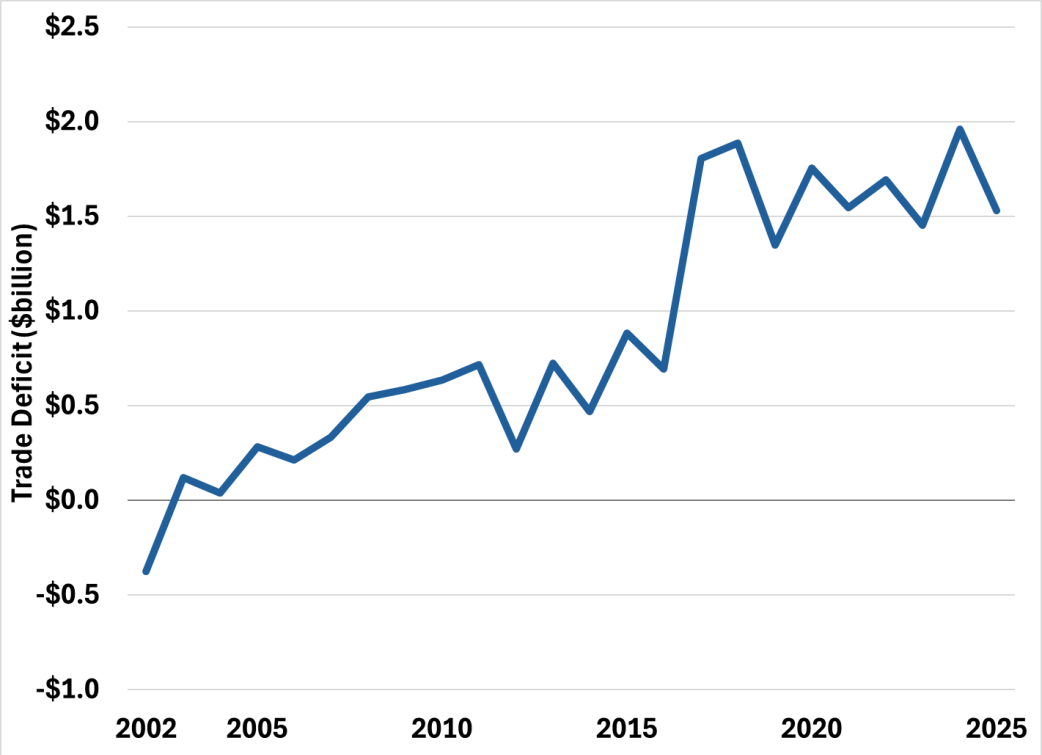
In contrast, ship and boat imports to Canada have expanded dramatically over the last decade (again, with larger ships accounting for the lion's share of this total). Imports fluctuate from year to year, based on the timing of major purchases. But since 2017 they have averaged over $2 billion per year. This means that imports account for about one-third of all domestic Canadian purchases of ships and boats.[2] Changes in trade policy by the federal government, including exemptions from tariffs for many large boat imports, accelerated this expansion of imports. Unfortunately, the BC Ferries order of four large ferries from China will now add significantly to that already-large flow of imports. As recently as 2003, Canada exported as much as it imported—and therefore our domestic shipbuilding activity was proportional to our national purchases. In recent years, however, Canada has imported five times more than it exports.

The gap between imports and exports represents Canada's trade deficit in shipbuilding. That trade deficit has widened precipitously in the last decade, as illustrated in Figure 6. Since 2017, Canada's trade deficit in this sector has averaged $1.7 billion per year. On average over that time, the trade deficit equaled 50% of total shipments from the Canadian domestic industry. That means that if the trade deficit was eliminated—either by replacing imports with Canadian-produced vessels, or else stimulating new exports through offset agreements with foreign countries (whereby they would purchase Canadian-made products in return for their sales here)—the footprint of the Canadian industry would grow by half. That would

[2] The size of the domestic market for shipbuilding output can be estimated as the value of total shipments less exports, plus imports. In 2025, this equaled $6.2 billion.

imply some 5,000 new well-paying jobs in Canadian shipbuilding, badly needed as the national economy grapples with Trump's tariffs and other international shocks.

**Figure 6. Canadian Global Trade Deficit in Ship and Boat Building, 2002-2025.**

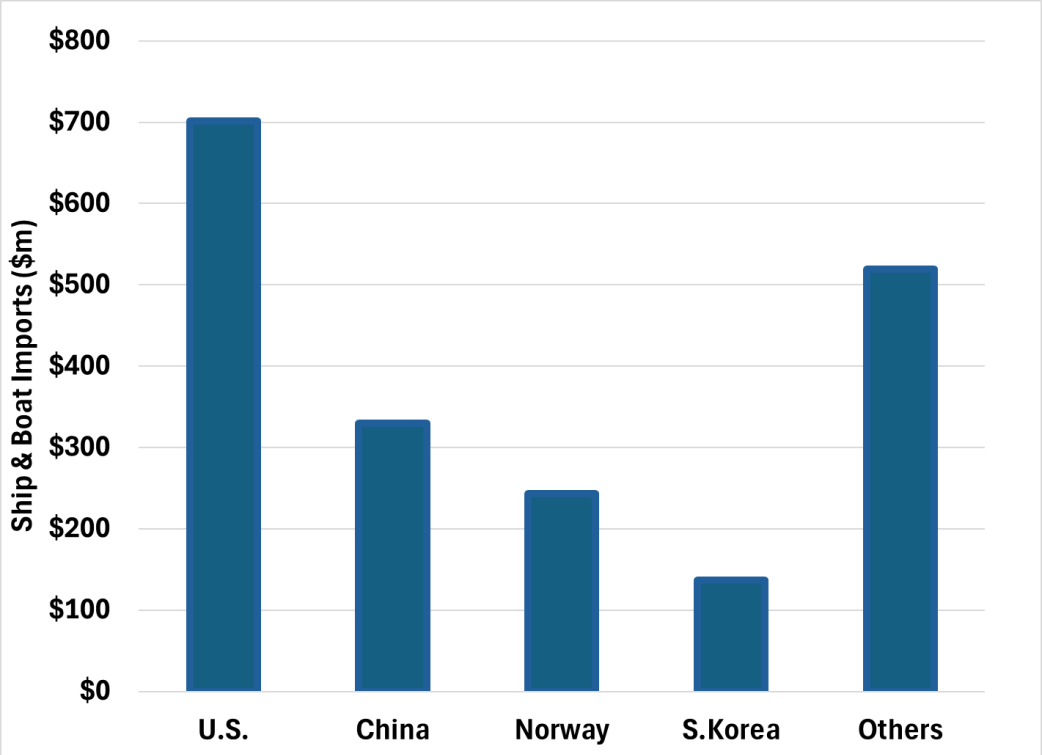



Source: Innovation, Science and Economic Development Canada, Trade Data Online.

Over the past quarter century, China has emerged as the world's largest shipbuilder, now accounting for over half of global gross tonnage constructed. In the same time, Canada's imports of ships from China have grown apace. Figure 7 indicates the largest sources of Canadian ship and boat products in 2025. The U.S. remains the largest single import source, supplying about one-third of total imports (down from almost half in 2015). The scale of Chinese ship imports has grown, reaching a record of almost $500 million in 2024. China is now the second-largest source of ship and boat products to the Canadian markets. And unlike the U.S.,[3] China purchases virtually no ship or boat products from Canada. Our total exports to China in this industry are less than $1 million per year; in 2025, Canada imported 380 times more ship and boat products from China, than we sold to China. Again, the BC Ferries contract for four new ferries will significantly worsen this imbalance.

[3] Canada exported over $1.5 billion of ship and boat products to the U.S. over the last five years.

**Figure 7. Major Import Suppliers, Ship and Boat Products, 2025.**




Source: Innovation, Science and Economic Development Canada, Trade Data Online.

In sum, the current economic situation of Canada's ship and boat building industries reflects a mixture of challenges and opportunities. After many difficult years of decline and inactivity in the 1990s and 2000s, the industry has mounted an impressive comeback. Total sales, value-added, and employment have all rebounded substantially in the last decade, helped along by ambitious federal and provincial shipbuilding strategies. B.C.'s shipbuilding industry has played a key role in that turnaround, and the province now represents over 40% of all shipbuilding employment in Canada. Given B.C.'s important marine and coastal footprint, and the province's heavy needs for marine transportation, this is fitting.

However, the Canadian shipbuilding industry has not fully recouped earlier losses. And it remains significantly underdeveloped, relative to Canada's growing needs for shipbuilding and marine construction. Canada purchases 50% more ship and boat products than it produces. The gap, reflected in a large trade deficit, translates into the effective loss of thousands of good jobs, foregoing billions of dollars in economic activity, earnings, and fiscal returns to government. This reinforces the conclusion that still stronger policy interventions will be required to better translate Canadian needs for shipbuilding into stronger industrial capability and prosperity.

## National and Provincial Shipbuilding Policy

The recent controversy in British Columbia regarding BC Ferries' purchase of four large vessels from Chinese shipyards has highlighted a major gap in shipbuilding policy. The federal government has played a leading role in facilitating the turnaround in Canadian shipbuilding described above, through its National Shipbuilding Strategy and other policy interventions. The B.C. provincial government has also enunciated a provincial industrial strategy for this sector, with some positive results. However, BC Ferries has followed a very *laissez-faire* procurement approach since it was made an independent company in 2003. Its narrow focus on internal cost-minimization, and its consistent refusal to acknowledge and fulfil any broader economic or social responsibilities as a key part of the province's public infrastructure, means that the potential benefits of new ferry procurement for the provincial economy have been largely wasted. This section of the report will review existing federal and provincial policy stances toward shipbuilding, highlighting the gap that needs to be filled with reforms to BC Ferries procurement.

### National Shipbuilding Strategy

The National Shipbuilding Strategy (NSS) was first enacted in 2010 under Prime Minister Stephen Harper, and has continued for the 16 years since.[4] The strategy constitutes a strong federal commitment to construction of Navy, Coast Guard, and Transport Canada vessels at Canadian shipyards. Objectives of the strategy include moderating the cycles of boom and bust that typify shipbuilding, as well as generating stronger social and economic benefits for Canada.

The federal government estimates its shipbuilding contracts have contributed approximately $30 billion to Canada's GDP since 2012, and created or maintained more than 20,400 jobs (including both direct and indirect jobs).[5] Similar conclusions have been reached by private researchers. For example, a recent Conference Board of Canada report (2025) projects that the strategy will have contributed $17 billion to Canada's GDP between 2013 and 2027, as well as generating over $6.3 billion in incremental government revenue across all levels.

A key reason for the strategy's positive impact is that it is backed by an Industrial and Technological Benefits (ITB) policy. This contractually requires companies awarded defence procurement contracts of over $100 million to undertake business activity in Canada equal to the value of the contracts they have won. Smaller contracts with value between $20-$100 million are also reviewed for potential application of the ITB policy. Core to the ITB is a "value proposition" requiring shipyards to invest funds equal to 0.5% of the gross value of contracts in areas of human resources development, technology investment, and industrial development.

Since 2018, the federal government has defined 17 Key Industrial Capabilities (KICs) which help ensure that winning bidders on defence and coast guard procurements are helping to grow Canadian advanced technology industries, research and development and supply chains.

[4] The NSS was formerly known as the National Shipbuilding Procurement Strategy.
[5] See Government of Canada (2025a).

Finally, the policies require "fair opportunities" for businesses led by traditionally underrepresented groups—such as women, Indigenous people and persons with disabilities. (Government of Canada, 2025b).

The three procurement "pillars" of the NSS are:

(a) Construction of large vessels (more than 1,000 tonnes of displacement).

Large federally-funded vessels have been and are being built at Seaspan in North Vancouver, Chantier Davie Canada in Lévi Quebec, and Irving Shipbuilding Inc. in Halifax.

Seaspan is also building non-combat vessels for the Royal Canadian Navy and the Canadian Coast Guard. These include two joint support ships for the Navy, up to 16 multi-purpose ice-breakers, three offshore fisheries science vessels, one offshore oceanographic science vessel, and two polar icebreakers for the Coast Guard.

With regard to federally-operated passenger ferries,[6] Chantier Davie Canada is building new vessels to replace the MV Madeleine (the primary vessel for ferry service between Les Îles-de-la-Madeline, Quebec, and Souris P.E.I.), as well as the MV Holiday Island (for ferry service between Wood Island P.E.I. and Caribou Nova Scotia). The Madeleine ferry replacement will be operational in 2029, while the MV Holiday Island ferry replacement is scheduled to be delivered by 2028.

(b) Construction of small vessels (less than 1,000 tonnes of displacement).

In B.C., in this category, the west coast division of Canadian Maritime Engineering Ltd., with facilities in Victoria and Port Alberni, has completed four steel barges with a value of $2 million. The federal government has yet to determine procurement and location for three planned smaller coastal patrol boats.

(c) Vessel repair, refit, and maintenance projects.[7]

From 2023 to 2024 Intercon Marine Inc. of Victoria undertook a $1.4 million contract for repair of the Canadian Coast Guard vessel Wilfred Grenfell. Also in 2023/2024, Allied Shipbuilders Ltd. of North Vancouver undertook a two-year $2.4 million contract for drydocking and repair of Coast Guard vessels Captain Goddard M.S.M. and M. Charles M.B. In the same period, Vancouver Drydock (a unit of Seaspan) was awarded a $3.1 million contract for drydocking and repair of the Coast Guard ship Sir John Franklin. Canadian Maritime Engineering Ltd. undertook a $290,000 contract for the alongside repair of the vessel at the same time.

An $11.7 million contract was awarded to Allied Shipbuilders Ltd. of North Vancouver for drydocking and 'vessel life extension' (VLE) of the coast guard vessel Tanu. Vancouver Drydock undertook a $39 million contract for drydocking, repair and VLE for the coast guard

[6] Interprovincial ferry services on Canada's east coast are provided through a federal Crown corporation, Marine Atlantic, and through federally-subsidized private and co-op providers.
[7] In addition to continuously pressing for exemptions from tariffs on imported ships, Canadian ferry operators also lobby for the elimination of tariffs on overseas repair and refit work; see Canadian Ferry Association (2017).

vessel Sir Wilfred Laurier, and Point Hope Maritime Ltd. of Victoria completed a $676,000 contract for drydocking, repair and VLE for the coast guard vessel Neocaligus.

Finally, in this category, contracts totalling $1.5 billion nationally were awarded for maintenance of RCN Halifax-class frigates (combat vessels). HMSC Calgary and HMSC Winnipeg have gone through this maintenance process at Victoria Shipyards Ltd. (a division of Seaspan) in B.C.

Guiding this sustained emphasis on channeling federal ship procurement purchases into domestic content has been a willingness to consider broad cost-benefit factors, rather than simply seeking the cheapest bidders no matter where they are located. Public Services and Procurement Canada (PSPC) asserts that it is difficult to compare true relative costs between different countries, given country-specific variables such as: labour, material and equipment costs; timing of the build; number of ships produced; and government subsidies (both direct and indirect). The federal government accepts that differences in cost are offset by the broader economic benefit generated by domestic procurement. PSPC also notes the strategic importance of a Canadian-based shipbuilding supply chain for Canada's national and economic security. A similarly inclusive approach to evaluating costs and benefits of domestic procurement needs to be taken by BC Ferries.

## Coasting Trade Act

The *Coasting Trade Act* is a Canadian federal law regulating the use of foreign vessels in Canada's intracoastal marine transportation industry. Its main purpose is to protect and support the Canadian shipping sector by requiring that commercial marine activities taking place between Canadian ports or within Canadian waters be carried out primarily by Canadian-registered and duty-paid ships. With certain exceptions, foreign ships may only participate in coasting trade if no suitable Canadian vessel is available, and they must obtain a temporary licence from the Canadian government. The act applies to activities such as transporting passengers or cargo, dredging, and certain offshore services.

Despite the act's intent, it currently does not include provisions for the construction of ships or ferries in Canada, including requirements or incentives vessels that could support the broader objectives of the act by strengthening the country's domestic shipbuilding industries. In this regard, it is significantly weaker than the U.S. *Jones Act*, which (as explained below) does require U.S. construction for vessels used in intracoastal trade.

## Shipbuilding in B.C.

(a) Seaspan (North Vancouver)

Seaspan runs the largest shipbuilding and repair operations in B.C., including Vancouver Shipyards, Vancouver Drydock, and Victoria Shipyards. Seaspan is owned by the Washington Companies group, a U.S.-based conglomerate with interests in marine transportation, mining and private railways.

Seaspan reports total employment of 3,600 shipbuilders, according to a report on the company's economic impact prepared by Deloitte (2023). That report also estimated the total economic impacts arising from shipbuilding, repair, and maintenance work done by Seaspan

under the NSS. Deloitte estimated that from 2012 to 2022, Seaspan's NSS-funded work contributed $5.7 billion in GDP, 7,330 direct and indirect person-years of employment, $3.8 billion in labour income, and $1.4 billion in incremental government revenues (thanks to new taxes resulting from the increased economic activity).

Seaspan plays a vital role in anchoring B.C.'s overall shipbuilding and repair capability. However, the company's large role in the provincial industry also creates a vulnerability, in that its decisions can hinder efforts to expand the industry's overall activity or capture new opportunities associated with public procurement. For example, the company's lack of interest in bidding on the four new ferries was cited by BC Ferries as justification for its decision to purchase them from China (see Duffy, 2025, and Little, 2025). The company's B.C. facilities are fully utilized, mostly with work flowing from the federal NSS. The company also indicated that the BC Ferries procurement model (based solely on a direct cost competition) is a barrier to higher domestic content in new purchases—contrasting starkly with the federal procurement model, which demands 100% domestic content as a guiding policy choice.

(b) Previous vessel construction for BC Ferries and the B.C. government

For several decades, the B.C. government and its then-Crown agency BC Ferries intentionally ensured that ferries and other government vessels used in the province would be built in B.C. shipyards, to maximize economic benefits for the province.

As part of a broader province-building strategy, Premier W.A.C. Bennett's government first created BC Ferries in 1958 as a subsidiary of an extant Crown Corporation (then the British Columbia Toll Highways and Bridge Authority[8]). In addition to buying vessels from the private Black Ball Line and Canadian Pacific's British Columbia Coast Steamships ferry service, the government immediately constructed two new ferry vessels locally. The first was the M.V. (later Queen of) Sidney (constructed in 1959 at Victoria Machinery Depot), and the second was the M.V. (later Queen of) Tsawwassen (built in 1960 at Burrard Dry Dock). They remained in service until 2000.

Other locally built vessels were added over time. The Queen of New Westminster was a "V" class vessel built in 1963 at the Victoria Machine Depot; it underwent major refits at Burrard Dry Docks over its several decades of operation. In 1965, the Queen of Prince Rupert (serving the Inside Passage, Prince Rupert, and Haidi Gwaii) was the last ferry built at Victoria Machine Depot.

In the 1970s and early 1980s, several "C" (or Cowichan) class vessels were built, forming the "backbone" of the fleet. They were the Queen of Cowichan, Queen of Coquitlam, Queen of Alberni, Queen of Surrey, and Queen of Oak Bay. All these vessels were built in B.C., either at Vancouver Shipyards/Burrard Drydock or at Yarrows Ltd. in Victoria.

Another important development in the 1970s was the provincial government's creation of the SeaBus service from Vancouver to North Vancouver (under the Dave Barrett government).

[8] B.C Ferries became a separate Crown Corporation in 1977.

This service operates with aluminum catamarans; it was originally run by the transportation division of BC Hydro. The first SeaBus vessels were the MV Burrard Otter, built at Burrard Dry Dock in North Vancouver in 1976, and the MV Burrard Beaver which was built by Yarrows Shipbuilders Ltd. of Victoria in the same year.

Also noteworthy are the inland lake ferries operated by the provincial Ministry of Transportation and Transit. This service has procured several vessels from B.C. shipyards. These include the M.V. Anscomb, built in Nelson by Kootenay Ferry Builders in 1946; the MV Balfour, built there in 1954; the M.V. Osprey 2000, built by Kootenay Ferry Builders in the year 2000; and a new electric ready ferry under construction in Nelson today. All government inland ferries have been built in B.C.

In the early 1990s, under the administration of Mike Harcourt, the government procured two new "Spirit" or S-class ferry vessels: the Spirit of British Columbia (1993) and the Spirit of Vancouver Island (1994). These large ships have served the BC Ferries runs between Swartz Bay (Victoria) and Tsawwassen (Vancouver) ever since. Both ships were constructed in two parts, one half by Allied Shipbuilders of North Vancouver and the other by Integrated Ferry of Esquimalt. The two sections of each were then joined together. Each ship can carry 2100 passengers and crew, and 358 vehicles. Unfortunately, when mid-life refits were done in 2017, the work was assigned to Remontowa Ship Repair Yard in Poland rather than to a shipyard in B.C.

In the mid to late 1990s, under Glen Clark's administration, a new fast ferry program was implemented to build three lightweight aluminum catamarans, known as FastCats, for the run between Departure Bay (Nanaimo) and Horseshoe Bay (Vancouver). The goal was to reduce travel times by 30 minutes, reduce backlogs at the Horseshoe Bay terminal, and generate both skills training and economic benefits through local construction of the vessels.

The project was undertaken by a new special-purpose subsidiary of BC Ferries, Catamaran Ferries International (CFI). The project used modular construction, whereby various components were built at a variety of B.C. shipyards and then transported to a special CFI facility in North Vancouver for final assembly. Unfortunately, the project went over budget (from an initial estimate of $210 million to a final cost of $460 million) and faced operational issues including higher than planned fuel consumption and wake problems for coastal communities. The result was significant political controversy and a critical report from the provincial Auditor-General.

After Ujal Dosanjh became Premier in 2000, the government put the vessels up for sale; Gordon Campbell's successor administration eventually sold all three to the Washington Marine Group for only $19.4 million. While it is common for large capital projects to go over budget, the exaggerated political controversy surrounding the fast ferries was subsequently used as an excuse for constructing future BC Ferries overseas.

With the passage of the *Coastal Ferry Act* in 2003, under the Gordon Campbell administration, B.C. Ferry Services Inc. became an independent company, with the mandate to provide ferry service under a long-term contract with the B.C. government. It was no longer a Crown Corporation. The company continues to depend heavily on annual

operational subsidies from the provincial government, and hence its overall operations (including routes and fares) are directly reflective of provincial government policy choices. However, under its new structure, BC Ferries ceased to prioritize broader economic and social criteria in its operations and procurement decisions.

Indeed, following this change in governance, BC Ferries shifted most vessel construction away from British Columbia. Of the eleven vessels added to its fleet from 2003 through 2018, only two were built in British Columbia (the Baynes Sound Connector and the M.V. Island Sky[9]). BC Ferries opted to build its major Coastal class vessels and the Northern Expedition in Germany, its Salish class vessels in Poland, and its new minor class vessels in Romania. BC Ferries even decided to allocate the $140 million mid-life retrofit and LNG fuel conversion of its Spirit class vessels to yards in Poland, even though those ships were originally built in B.C.

From 2019 to 2025, ten new Island class vessels were built at Damen Shipyards in Romania. A further four are scheduled to be delivered and in service by 2027. The Island class are smaller 80-metre-long vessels, which are well within the ability of B.C. shipyards to fit into their facilities if the tendering conditions were right. However, Romania is one of the lowest-wage jurisdictions in the European Union,[10] and low production costs were the key criteria in BC Ferries' procurement choices.

Another strategy BC Ferries has pursued has been to purchase used vessels from overseas and retrofit them for service in British Columbia. The MV Northern Adventure was built in Greece in 2001 and purchased by BC Ferries in 2006. After an $18 million retrofit at Victoria Shipyards, the vessel now serves northern Inside Passage and Haida Gwaii routes.

A more fundamental upgrade was made to a second Greek vessel, which BC Ferries named the Northern Sea Wolf.[11] The Northern Sea Wolf was purchased for $12.6 million and then underwent a fundamental rebuild at Esquimalt Dry Dock in 2017, for an original budget of $55.7 million. The renovated ship now fully complies with Transport Canada and BC Ferries standards and provides seasonal service between Port Hardy and Bella Coola. The Northern Sea Wolf retrofit went some 15% over budget. However, the strategy of purchasing foreign vessels and extensively refitting them at B.C. shipyards for ferry service applications holds considerable potential as one way to meet demands for specialized regional ferries while ensuring more work is done at provincial shipyards.

Most recently, of course, BC Ferries contracted four new hybrid diesel/electric NMVs from CMI Weihai state-owned shipyards in China. There is also a notional, unapproved, plan to build a further four vessels by 2033. These vessels will eventually replace older C, V, and Spirit class vessels now in operation. Surprisingly, the total procurement cost of the four ships has not been disclosed,[12] and this lack of transparency raises further concerns about BC

[9] The Island Sky was renamed the Malaspina Sky in 2019.
[10] See European Commission (2026). "Minimum wage statistics," January, https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Minimum_wage_statistics.
[11] This experience is discussed in more detail in Redlin (2018), p. 35.
[12] Moreover, the B.C. Ferry Commissioner's approval of the purchase also redacted the cost of the approved purchases; see B.C. Ferry Commission (2025).

Ferries' decision-making process. Estimates of the cost have been reported in the media, based on details regarding a $1 billion loan from the Canadian Infrastructure Bank to BC Ferries to support the purchase (Loverin, 2025). That loan provides $690 million toward the ferry construction, as well as $310 million for attendant electrification of terminal docks. The Bank states that its funding can only cover up to 42.5% of the cost of ferry construction, implying that the total purchase cost of the four ships would be about $1.6 billion.[13]

(c) Other provincial strategies affecting shipbuilding

Though directly procuring and building ferry and other provincial vessels in B.C. would be the most effective way to ensure provincial economic benefits from public purchases of new ships, the province has recently announced other policy measures to support the shipbuilding sector. These include:

- The 2023 B.C. Maritime Industries Strategy, which features: a $25 million maritime industries infrastructure grant program to help modernize and increase shipbuilding and refit capacity; creation of a West Coast Maritime Office in collaboration with industry; help for B.C. shipyards in sourcing B.C.-developed technology; and the application of provincial clean energy programs to help maritime industries decarbonize (B.C. Ministry of Jobs, Economic Development and Innovation, 2023).

- A B.C. Shipbuilding and Ship Repair Industry Tax Credit Program. This provides an annual basic credit of 20% of salary and wages (up to $5,250) per apprentice employee in the shipbuilding and repair sector in the first 24 months of an eligible program, as well as an additional 20% completion tax credit in the final year. There is also an enhanced tax credit up to 50% for eligible First Nations individuals and persons with disabilities. This program was scheduled to end by January 1, 2027, but the 2026 budget extended this deadline to January 1, 2028.

- The recent 2026 Look West economic strategy also contains some measures with application to the maritime sector (B.C. Ministry of Jobs and Economic Growth, 2026). These include: a goal of securing 35% of NSS contracts by 2035; building a ship recycling industry in partnership with First Nations; growing B.C.'s maintenance, repair and overhaul sector by 50%; integrating B.C. advanced technologies into the maritime supply chain; and growing the maritime construction workforce.

There are some positive features to these initiatives. Enhanced skills training, support for decarbonization, provincial collaboration with industry, and development of a First Nations-led ship recycling industry are all promising directions. However, the strategy only allocates $25 million for modernization of the sector, and makes no mention of local manufacturing of future BC Ferries purchases. These patchwork measures do not constitute a convincing or comprehensive industrial strategy for the province's shipbuilding sector.

[13] In the absence of more transparent reporting from BC Ferries on the total cost of the four ferries, this estimate will be used as a key assumption in the economic simulations reported below.

Elements which could contribute to a stronger strategy should include provincial quantification of the economic benefits of domestic shipbuilding; new financing strategies (including federal funding) to help local shipyards and BC Ferries enhance their capacity to build ferries successfully at home; partnering with technical institutions, universities and the private sector to develop new training programs and help the industry to adopt new technologies; close coordination with BC Hydro to expedite electrification infrastructure at ferry terminals and other marine facilities; and bid development assistance for B.C. shipyards. These and other ideas will be explored in greater detail below.

## Global Precedents: Shipbuilding Strategies in Other Jurisdictions

Countries around the world recognize the strategic and economic importance of maintaining a strong domestic shipbuilding capability. In various forms, governments mobilize pro-active policy levers to support domestic shipbuilding and ensure that their countries can supply this vital set of products and services. Ship procurement has never been left to private cost-benefit calculations. Every successful shipbuilding industry in the world has benefited from sustained government support.

Lulled into a passive stance by an exaggerated faith in the virtues of free trade, Canada forgot this reality for several years in the 1990s and 2000s—and our domestic shipbuilding industry paid the price, with major declines in output, capacity, and employment. The federal NSS in 2010 started to correct this error, supplemented by less powerful but still helpful provincial measures. But when we review the strong policy actions taken by governments in other shipbuilding nations, it becomes apparent that more ambitious measures will be needed for Canada's and B.C.'s shipbuilding sectors to reach their true potential.

This section of the report reviews the experience of active industrial strategies used by other shipbuilding countries, highlighting the lessons for Canada and B.C. from that record.

### Washington State

Washington State Ferries is the largest ferry system in the United States, and the second largest auto-carrying system in the world. It is a division of the Washington State Department of Transportation, carrying over 20 million riders in 2025 with a current fleet of 21 vessels (State of Washington, 2025a).

All of the vessels in the Washington State Ferries system were built in the U.S., primarily at Vigor Industrial (formerly Todd Shipyard) in Seattle. From 1997 to 2015, a state law required that all vessels be built in Washington State. Later that was amended to permit out-of-state construction only if bids from state builders came in 5% over the government's estimate. In recent years, Vigor has been busy with other work and local costs have risen, so Washington State has now permitted out of state bidding (Kroma, 2023). In July 2025, Eastern Shipbuilding Group from Florida was selected to build up to three new hybrid electric ferries for the Washington fleet (State of Washington, 2025b). Although an out-of-state bidder has been chosen for the first time in decades, the state would not consider building ferries outside the U.S. This reflects a longstanding cultural and legal environment supportive of domestic shipbuilding in the U.S.

### U.S. Jones Act and Buy America Act

For example, since 1920 the U.S. federal *Jones Act* (more formally, Section 27 of the *Merchant Marine Act*) has required that all goods transported by water between U.S. ports be carried on vessels that are built in the U.S., owned by Americans, and U.S.-crewed. Similarly,

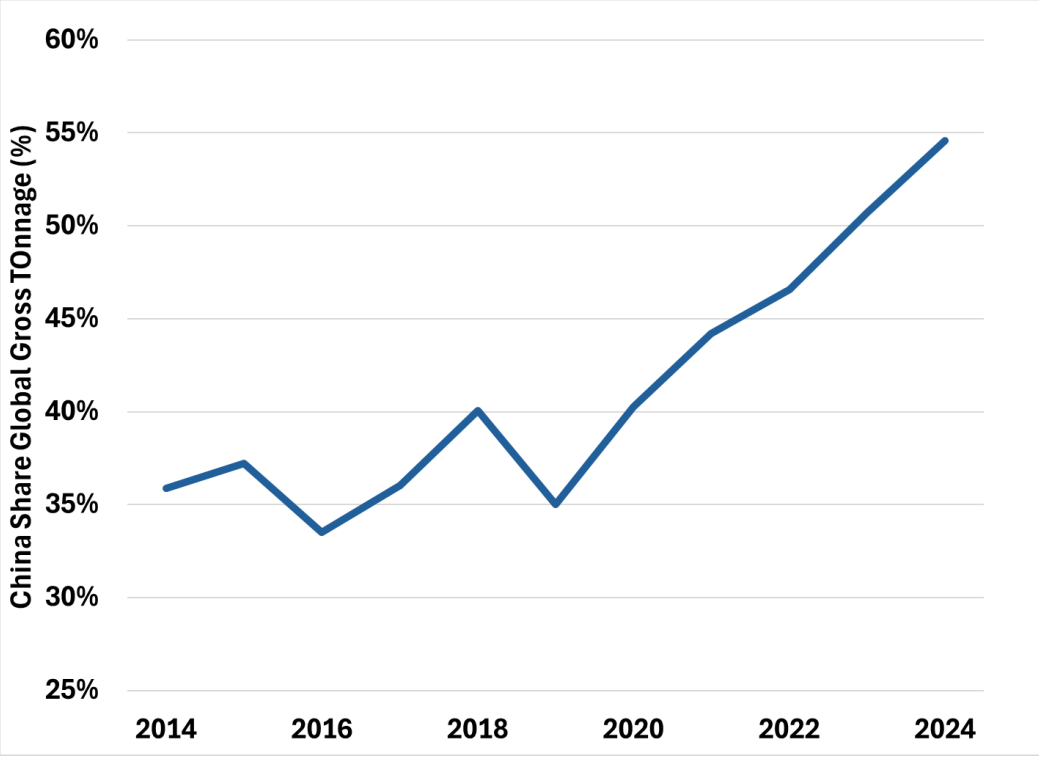
the federal *Build America Buy America Act* stipulates that no federal funding for infrastructure projects (including marine infrastructure) may be provided unless all iron, steel, manufactured products, and construction materials are produced in the U.S.

Moreover, the *Jones Act* requirements enforce "cabotage" rules that protect domestic shipbuilding from foreign competition, by preventing the transport of passengers or goods between two places in the U.S. by ships registered, or in many cases built, in another country. Other countries have copied this successful measure to support domestic shipbuilding. According to a recent report by Seafarers' Rights International, there are now 105 nations with cabotage rules, which account for 85% of countries with coastlines (Fitzpatrick and Staniland, 2025).

## Asia

After decades of rapid industrialization, Asian countries now account for an overwhelming proportion of global shipbuilding. China is the most dominant, supplying over half of the gross tonnage manufactured in the world. As illustrated in Figure 8, China's share of global shipbuilding has skyrocketed from 35% in 2019 to 55% in 2024. South Korea accounts for another 29% of global production, and Japan for 13%. All these countries achieved shipbuilding success through active government strategies, fostering technological innovation, close links to domestic procurement (including military contracts), favourable financing and other supports for domestic shipyards (including preferential access to shoreline property for shipyards), and ambitious labour force development and skills programs.

**Figure 8. Chinese Share of Global Shipbuilding, 2014-2024**



Source: Calculations from United National Development Program, "Ships built by country of building, annual."

In China, there is a close integration between commercial and military shipbuilding, overseen by the government's China State Shipbuilding Corporation (CSSC). The CSSC is an integrated conglomerate with 84 subsidiaries that provide research, design and marine engineering services in addition to construction. In terms of financial support, China's national and local governments provide a wide range of shipbuilding subsidies, including coastal land at below-market rates, simplified licensing procedures, dedicated shipyard banks providing favourable low-interest financing, preferential tax policies, and various production subsidies that reduce the price of steel and other inputs (Barwick et al., 2024).

In South Korea, a state-led policy that began in the 1970s has helped develop one of the strongest shipbuilding industries in the world (Tan, 2020). Public banks provide discounted debt financing, while the government invests significantly in research and development, skills training, and export financing for the sector. The shipbuilding industry has long been a high priority for the Korean government, which understands the many spin-off benefits of a strong ship manufacturing sector for the whole economy.

Japan has also offered direct government support for shipbuilding for decades. In recent years, Japan's international market share has slipped significantly, under pressure from China's conquest of the global market. In response, the Japanese government has established a one trillion yen ($6.9 billion U.S.) fund to revitalize the industry, with a goal of doubling the nation's shipbuilding capacity by 2035. The national government and private industry will each contribute 350 billion yen by 2035, with the remainder to be funded by a Fiscal Investment and Loan Program supported by various government-affiliated banking institutions (Japan News, 2025).

All of these East Asian success stories, therefore, reflect a powerful and strategic use of active industrial policy to promote investment, innovation, and productivity. Success begets success, moreover, as increasing scale of operations amplifies these countries' advantages. This context of widespread powerful subsidies and other policy tools must be acknowledged when contemplating the cost differences between imported and domestically-produced ships. Those differences cannot be interpreted as reflective of natural "efficiency" or "comparative advantage" principles. Rather, they are the outcome of concerted efforts by Asian governments to *create* a competitive advantage for their domestic industries through powerful interventions. If B.C. and Canada want to retain successful shipbuilding industries we must be prepared to adopt comparable approaches to supporting domestic production.

### European Union

Europe is another region with sustained success in shipbuilding. Like Asia, this success is largely attributable to the practice of active industrial policy. Countries like Norway, Finland, Poland, and Italy have all retained successful and globally competitive shipbuilding capabilities, through a combination of public policy and private investment and innovation. Europe's shipbuilding success is especially relevant for B.C., because it disproves the common but false assumption that Canadian producers cannot succeed because of high labour

costs. Labour costs in most of these countries match or exceed Canadian levels, but that has not stopped them from building successful domestic industries.

In March 2026, the European Union adopted a new EU Industrial Maritime Strategy to enhance economic prospects for shipbuilding across Europe (European Commission, 2026). The new strategy features a wide variety of measures including a multi-year aggregated pipeline of public ship orders, so that activity across the sector can be paced efficiently. In terms of financing, the plan includes new EU financing tools for export credits, non-emitting transportation, and investment planning. Existing funds will be topped up and new funds provided to support fleet decarbonisation (2.9 billion euros by 2027 for sustainable maritime fuel production), enhanced naval capabilities (1.1 billion euros), digital transformation (600 million euros), new submarine cable projects (347 million euros), and research and development (529 million euros). The strategy will be overseen and coordinated by a high-level Maritime Industries and Ports Board.

In addition to these EU-wide initiatives, several European countries have undertaken additional measures to stimulate investment and innovation in their respective industries.

### Norway

Norway has been particularly successful at encouraging development of an electric and hybrid ferry industry, leveraging initial demand from domestic procurement into an industry which is now exporting to the world. By establishing a policy mandate requiring emission-free fjord ferry service by the middle of this decade, and matching that with nationwide shore power and other charging infrastructure provided through public subsidies from the state energy utility Enova, Norway has shown that electric ferries can operate reliably and affordably in all conditions, creating new export opportunities for the country.

An interesting example is Norway's participation in the all-electric vessel Hull 096. This ship was constructed in Tasmania by Australian shipbuilder Incat but is powered with a battery array from Norway-based Corvus Energy.[14] Hull 096 will be the world's largest electric ship so far, and will run between Buenos Aires, Argentina and Colonia del Sacremento, Uruguay (Ramirez, 2025).

Norway's shipbuilding success has been guided by a comprehensive strategy for its maritime industry. The government's Maritime 21 strategy set out a goal that "Norway shall be a world-leading maritime nation by 2030 through taking on a leading position in the green transition" (Research Council of Norway, 2022).

Since the first all-electric ferry began service in 2015, Norway now has 180 electric ferries in operation on 111 ferry routes (Business Mirror, 2025). Though most are designed and built by Norwegian shipyards such as Havyard, in some cases hull construction has been completed abroad before being finished in Norway. Most of the battery electric technology is developed in Norway, particularly by Corvus Energy.

[14] Corvus Energy was founded in Richmond B.C. in 2009 but is now headquartered in Norway.

## Finland

Finland is another highly successful shipbuilding country with high wages, high taxes, and a strong social safety net—again disproving the assumption that countries can only succeed in global competition by joining a "race to the bottom" in labour, social, and environmental standards. Strong support from government and continued investment in research and development, low-carbon technologies, and efficient value chains have made Finland a shipbuilding leader. The Finnish government has invested in export development and technological improvements for many years, positioning Finland as a leader in specialized areas of shipbuilding such as cruise ships and icebreakers (Stutz and Matala, 2025).

Finland has benefitted from a robust government strategy for the maritime sector, featuring government export credits, direct government financing for shipyards (including public equity investments), government funding for research and development, investment assistance for purchasing greener ships, and support for international marketing.[15]

* * * * *

Successful shipbuilding industries around the world do not rely on free market forces alone, and for good reasons. Active government policies such as strategic public procurement, cabotage restrictions, domestic content requirements, government funding to enhance shipyard competitiveness, and support for strategic public policies like electrification and skills training have all been key to the competitiveness of successful shipbuilding industries the world over.

Canada and B.C. must learn from these other jurisdictions. While our own industry cannot expect to match global giants (like China) in overall capacity or capabilities, we should strive to ensure that domestic shipbuilding can at least occupy a space in the global industry broadly proportional to Canada's growing purchases of ships and related supplies and services. That alone would lead to a substantial increase in the overall economic contribution of this industry—but international experience, and our own history, prove it will not happen without a far-reaching and ambitious commitment to a strong industrial strategy for shipbuilding.

[15] These policies are described in more detail in Organization for Economic Cooperation and Development (2018).

# Elements of an Industrial Strategy for Provincial Shipbuilding

## Existing B.C. shipbuilding capabilities

Until 2002 all ferries constructed for BC Ferries were built in B.C. shipyards. In 2002 the Gordon Campbell government directed BC Ferries to initiate, for the first time in its 43-year history, an open tendering process for ferry refit and new vessel construction, including full access for international bidders. Since that time, all new large ferries purchased by BC Ferries have been constructed offshore.

Predictably, this policy devastated the B.C. shipbuilding industry, eventually rendering it with limited capacity to build the large and medium-sized ferries at the core of the corporation's services. This loss of provincial shipbuilding capacity was rooted in the absence of incentive for local shipyards to invest in the modernization and expansion of their shipbuilding infrastructure and retention of skilled workforces. It reflected a hands-off approach to economic development policy, completely at odds with the successful lessons provided by other leading shipbuilding nations—including the U.S., East Asia, and Europe.

Ultimately, by 2010, only Seaspan Shipyards was left with adequate capability to fully participate in the federal government's new NSS, making successful bids for construction of small, medium and large sized non-combat vessels for the Royal Canadian Navy and Canadian Coast Guard.

A summary of existing shipbuilding operations in B.C. is provided in Table 1. Seaspan has the largest operations in the province, and is the only B.C. shipyard capable of building and servicing large vessels. Its facilities include shipyards and floating dry docks situated in North Vancouver, a shipyard in Victoria, and rental use of the Government of Canada's graving dock in Esquimalt. Seaspan's dry docks in North Vancouver include a 140-metre Careen floating dry dock with a lifting capacity of 30,000 tonnes; a Panamax 204-metre long floating dry dock with a lifting capacity of 30,000 tonnes; and two small floating dry docks (55 metres and 100 metres) added in the last two years.[16] Only the Panamax drydock would be capable of handling ferries the size of the new major vessels being ordered by BC Ferries.

**Table 1**
**Summary of Existing B.C. Shipbuilding Facilities**

| Firm | Location | Description |
|---|---|---|
| Seaspan | North Vancouver and Victoria | Includes shipyards and four dry docks (max. lifting capacity 30,000 tonnes). |
| Allied Shipbuilders | North Vancouver | Capacity to build vessels up to 2000 tonnes, two dry docks. |
| Point Hope Maritime | Victoria | Focuses on repair and retrofit. |
| Esquimalt Graving Dock | Esquimalt | Owned and operated by federal government. Contracts use of facilities to other producers. |

[16] Seaspan received funding assistance in 2023 from the BC government for the acquisition of these two floating dry docks.

| | | |
|---|---|---|
| BC Ferries | Richmond | Ship repair, maintenance, and refit. |
| Canadian Maritime Engineering | Victoria and Port Alberni | Repair, refits, small vessel manufacturing. |
| Intercon Marine | Victoria | Rigging and repair. |
| Ideal Welders | Delta | Pressure and power piping, bulbuous bow manufacture. |
| McLean's West Coast Launch | Prince Rupert | Haulouts and inspections. |
| Ocean Pacific Marine | Campbell River | Vessel life extension. |

The only other B.C. shipyards with major capabilities are Allied Shipbuilders Ltd in North Vancouver (with capacity to build vessels of up to 2000 tonnes), and Point Hope Maritime, part of the Ralmax Group, situated in Victoria's inner harbour (focused on repair and refit of all types of commercial and private vessels). However, in the past Allied Shipbuilders has participated in building large vessels by constructing hull and superstructure components for assembly at a larger offsite yard or drydock (such as the two Spirit Class vessels built in BC yards in 1993 and 1994).

The Esquimalt Graving Dock (owned and operated by the Government of Canada) is the largest non-military hard bottom dry dock on the west coast of the Americas. However, demand for the graving dock has exceeded capacity in recent years, and that capacity constraint is expected to remain for years to come. A graving dock is a large narrow basin built into dry land which can be used to build or repair ships by floating them out and in. Both Seaspan and BC Ferries rely on the Esquimalt Graving Dock to build, maintain, repair and refit vessels.

BC Ferries has a Fleet Maintenance Unit located in Richmond at its Deas Dock near the George Massey Tunnel—its main ship repair, maintenance and refit facility, where vessels undergo major repair work. This facility is only a docking basin, without its own dry dock. When dry docking is required, BC Ferries contracts with the Esquimalt Graving Dock or the Seaspan dry dock in North Vancouver. Access to dry docking is essential for BC Ferries, as Transport Canada requires dry docking for safety inspections and hull maintenance every four years. Dry docking allows access to propellers, rudders, shafts, and other submerged components, and is needed for complex refits and repairs.

### Enhancing B.C. shipbuilding capabilities

BC Ferries is one of the largest ferry operators in the world, with the responsibility to provide a key public service: a marine highway for Canada's Pacific coast. B.C.'s coast has a total length of approximately 26,000 km. That includes over 40,000 islands of various sizes, including Vancouver Island—the largest island on the west coast of North America.

One of the largest ferry operators in the world, BC Ferries provides year-round vehicle and passenger service on 25 routes to 47 terminals, with a ferry fleet of 41 vessels across multiple classes. Demand on the ferry system will increase steadily as the province's population is

forecast to grow 44 percent by 2046. A significant element of this growth will occur in growing communities along the coast, thus generating more demand for ferry services.

With this growing responsibility, BC Ferries will face a continuing need to expand its fleet of small, medium and large-sized vessels into the long-term foreseeable future, well beyond the 45-year expected lifespan of the four new vessels being purchased from China. Even without service and fleet expansion, based on the expected 45-year life spans of the remaining ships in the fleet, another 10-12 ferries will need to be replaced over the next two decades.

Seaspan Shipyards is presently the only B.C. shipyard with the capacity to build and perform major repairs to BC Ferries' medium-to-large vessels. However, for the foreseeable future Seaspan is fully occupied with other commitments, including the fulfillment of several orders under the federal government's NSS to rebuild and expand the Canadian Navy's and Coast Guard's fleets. In October 2011, when Seaspan's NSS contracts to build non-combat vessels were announced, they were projected to extend over 20 to 30 years—that is, until as late as 2041. In a news release on January 7, 2026, Seaspan reported that its current order book includes the largest portfolio of icebreaking vessels in the world, with a total of 21 vessels on order, including the 16 multi-purpose ice-breakers under the NSS.

In an earlier statement following BC Ferries September 2024 announcement of its NMV procurement plan, Seaspan was hopeful the BC government would work with the provincial shipbuilding industry to build some of the seven NMVs announced—particularly the last ones that had not yet been ordered. This clearly indicates that Seaspan would be open to the opportunity to build some of BC Ferries' large new vessels in coming years. However, Seaspan declined to bid on the initial contract of NMVs, citing its lack of confidence that Canadian shipyards could succeed given BC Ferries' narrow focus on cost minimization.

B.C. shipyards certainly have the capability and technical expertise to build large ferries like the NMVs contracted to be built in China. In the early 1990s, B.C. shipyards built two Spirit Class 'superferries': the Spirit of British Columbia completed in 1993, and the Spirit of Vancouver Island completed in 1994. With a length of 167.5 metres, beam width of 27.1 metres, displacement of 11,681 tonnes, and capacity to carry 2,100 passengers and crew and 360 vehicles, these ferries are in the same size class as the NMVs. They were constructed using a "split build" approach by a consortium of shipyards, formed especially for this work, known as Integrated Ferry of Esquimalt. In the split build approach sections were fabricated in smaller shipyards, with the bow hull section built by Allied Shipbuilders in North Vancouver. The Esquimalt facility constructed the 340-foot stern sections at the Yarrows (now Seaspan) Shipyard in Esquimalt and performed the final assembly, outfitting and launching.

This split build approach was later used again by a subsidiary of BC Ferries to build the FastCat catamaran ferries originally intended for the route between Departure Bay and Horseshoe Bay. Split build methods have continuing potential for future opportunities in the provincial industry.

## Options for greater self-sufficiency in ferry building and repair

Looking ahead to 2031 and beyond, the construction of at least two more NMVs will need to be contracted by BC Ferries. Given the growth projections discussed above, many more new ships will be required after that—both to meet the demands of a growing coastal population, and to replace ageing vessels in the existing BC Ferries fleet. To ensure this future work is performed by our own industry, two broad options are possible. The procurement policy of BC Ferries could be changed, to give preference in those tenders to Canadian (and preferably provincial) shipyards for their construction. Alternatively or additionally, BC Ferries could become self reliant by developing its own ship building facility—acquiring its own dock capable of building these and other medium-to-large sized vessels.

As was done in the 1990s with the Spirit Class and FastCat ferries, a consortium of local shipyards could again be formed to build large new ferries using the split build, modular approach. This consortium could integrate local metal fabricators, outfitters, and electrical power system supply specialists.

B.C.'s provincial commitment to addressing climate change provides an additional motivation for ambitious efforts to source future ships domestically. For example, Klein (2020, pp. 194-195) calls for public corporations to provide leadership in addressing the climate challenge. He proposes that BC Ferries quickly convert its ships to electric power, accompanied by a parallel strategy to source needed components (and ultimately new ships) from domestic facilities. Similarly, in his review of BC Ferries for the BC government, Redlin (2018) noted that while BC Ferries had taken positive steps to transition from diesel fuel to electric power for smaller ferries, and to LNG for larger vessels, the transition to electric power was not yet aggressive enough given the seriousness of the climate crisis and targets set in the provincial Climate Leadership Plan. More ambitious plans for electrification could again be paired with a parallel strategy to enhance the capability of domestic shipyards to meet those needs. The experience of Norway's successful strategy to build world-leading electric ferry manufacturing capability, leveraging initial demand from domestic procurement, serves as an encouraging precedent.

The four NMVs being purchased by BC Ferries from China will feature diesel-battery hybrid propulsion systems; they will have capability to operate on full electric power in the future. Cleary that conversion to full electric power should occur sooner rather than later. Conversion will provide an additional opportunity for provincial work, but only if the government and BC Ferries start planning now. More broadly, the construction in Canada of ferries with full electric power systems available from local suppliers will significantly enhance Canadian shipbuilding self-sufficiency, expertise and production capacity. Key to successful electrification of the BC Ferries fleet will be close partnership with BC Hydro to ensure coordinated provision of shore power and charging infrastructure. The fact that BC Hydro is a Crown Corporation is a strategic advantage in this regard.

For the provincial shipbuilding industry to have adequate capacity to build and support the BC Ferries fleet in a timely way at reasonable cost, the industry's current dependence on Seaspan as the only local private sector facility with capability to build large vessels must be

supplemented with new capacity. To that end, the provincial government, working with BC Ferries, should lead the formation of a consortium of private shipyards to expand ferry construction capacity; the government should also explore with BC Ferries the possibility of establishing an in-house shipbuilding facility for the company. Capacity could be increased by a new or existing company acquiring or building its own large floating dry dock or graving yard. The provincial government should also explore the possibility of taking a direct role (including a possible equity stake) in any venture to increase shipbuilding capacity that involves its financial support (including the expansion of existing maintenance and repair facilities, or the acquisition of a floating dry dock).

New capacity would also enhance the province's capacity and flexibility to perform repair, refit and regulatory hull inspections on ferries here, easing capacity constraints which currently make this work more expensive and difficult to schedule. A new facility would complement the federally owned Esquimalt Graving Dock (now operating at full capacity), and generally enhance B.C.'s overall shipbuilding self-sufficiency. It could also enhance the provincial industry's participation in the NSS, by providing more capacity for bidding on future federally financed work.

The purchase of a used floating dry dock capable of handling vessels the size of the NMVs is another, very affordable option for expanding provincial capacity. Recent precedents indicate such a purchase could be completed in the range of $40 million—a small portion of the estimated cost of just one of the NMVs.[17]

One potential location for a new fixed or portable dry dock is Port Alberni. The Port Alberni Port Authority manages a deepwater port with available capacity due to recent declines in the forest industry. The federal Sir Wilfred Laurier ice-breaker has undergone a significant retrofit there recently, and the community is seeking new customers for ship repair and recycling—particularly given that the Esquimalt graving dock is operating at capacity. BC Ferries could be one of those customers, especially if it can utilize its own floating dry dock. Restructuring of the provincial forestry industry could open other potential locations for shipbuilding investment, such as capacity adjacent to the former Crofton pulp mill; in this way, the expansion of provincial shipbuilding could play a vital role in assisting employment transitions occurring in other sectors.

## The federal Major Project Strategy

The purpose of the federal government's new Major Project Strategy is to transform the Canadian economy and advance nation-building projects. As a large maritime nation with the longest coastline in the world, and facing new geopolitical and security challenges on all of its coasts (including the Arctic), marine infrastructure and services are increasingly important to Canada. It is therefore apparent that strengthening the country's shipbuilding capacity, including the significant portion of the industry in B.C., should be a component of that Major

[17] There is a market for used or recently built floating dry docks. U.S. based Horizon Ship Brokers recently advertised a large floating dry dock built in 2024 (236 metres in length, 44.5 metres wide, with a lift capacity of 24,500 tonnes) for US $28.5 million (about $40 million Can). Such a dry dock would have the capacity to accommodate ferries the size of the NMVs.

Project Strategy. This would contribute to the diversity of Canada's industrial base, its trade opportunities, create high-paying career opportunities, and help protect the environment through eventual electrification of shipping.

The federal strategy provides a timely opportunity to expand the scope and ambition of the existing NSS. It should include provision of federal co-investments in B.C. shipyards to increase their capacity to supply vessels, beyond those contracted for the Canadian Navy and Canadian Coast Guard. That could include support for BC Ferries to establish its own shipbuilding facility to help meet its future procurement needs.

### Marine workforce training

A strong domestic shipbuilding strategy also requires a long-term workforce plan capable of supplying the skilled trades needed to build vessels and the marine professionals needed to operate them. Canada is facing labour shortages across the marine economy, including welders, electricians, pipefitters, and marine engineers in shipyards, as well as deckhands, engineers, mates, and masters aboard vessels.

Workforce pressures are compounded by high training costs, limited access to sea-time, regulatory bottlenecks, and inconsistent employer support for career advancement. Without coordinated investment in both marine training and skilled trades development, Canada risks expanding shipyard capacity without the workforce required to build vessels, crew them, or keep them operating safely over their service life. A competitive domestic shipbuilding strategy requires a well-resourced and planned workforce development component.

## Economic Benefits of Domestic Procurement

By directing procurement spending on new ships to domestic shipyards, governments stimulate a host of economic, employment and fiscal benefits. Most directly, of course, are the jobs and value-added directly associated with ship construction, including thousands of high-skilled, well-paying jobs in various trades. That direct work contributes to overall GDP growth, incomes, and government revenues (captured through the full range of tax channels, including income, payroll, and corporate levies).

The overall economic benefit from domestic procurement, however, is magnified through multiple spillover impacts. As noted above, shipbuilding anchors a diverse and far-reaching supply chain, consisting of all the businesses which sell steel, materials, powertrain, navigation equipment, furnishings, and services (such as utilities and maintenance services) to operating shipyards. In aggregate, those input purchases are about two times larger than the direct work and value-added in shipbuilding itself. The resulting stimulus experienced upstream through the supply chain supports thousands of additional jobs. Economists refer to these upstream effects as 'indirect' benefits. Enhancing the use of Canadian steel, a critical component in all shipbuilding, is a particularly promising avenue for enhancing these indirect benefits.

In addition, once workers in shipyards and the associated supply chain receive their incomes, they spend them. That provides an additional pulse of economic stimulus through the full range of consumer goods and services industries: from home-building to restaurants and dry-cleaners. Even the provision of public services (like education and health care), financed in part from the tax revenues paid by workers and businesses in the shipbuilding sector, is boosted by this new activity. Economists refer to these downstream effects on consumer industries as 'induced' benefits.

The strength of these indirect and induced impacts depends on many factors, including the proportion of shipbuilding inputs which can be purchased from Canadian suppliers (rather than imports), and the general state of the broader macroeconomy (downstream or induced effects tend to be stronger when the economy is experiencing higher unemployment). In the context of B.C.'s and Canada's current economic challenges—with investment, employment, and GDP growth all hurt by Donald Trump's tariffs, a new war in the Middle East, and other headwinds—the spin-off effects from new shipbuilding orders would be especially important.

Several previous economic studies confirmed the significant and valuable economic benefits of domestic shipbuilding. This previous body of research includes:

- A previous analysis of the direct, indirect, and induced economic effects of building new ferries in B.C. (Redlin and Fairey, 2014). The domestic construction of 3 new ferries would generate additional GDP of $379 million, over 1000 ongoing jobs, and a $102 million improvement in the net budget balance of the federal and provincial governments.[18]

[18] GDP and fiscal impacts from the various studies cited here are not directly comparable, since they use different base years for their simulations.

- A custom economic simulation prepared by MNP LLM for the 2018 provincial review of BC Ferries (see Redlin, 2018, pp. 44-49 of appendix 9.4). It estimated the domestic construction of 14 planned vessels of various size would add $1.75 billion to Canadian GDP, create 4,900 additional jobs, and generate $510 million in further tax revenue for the federal and provincial governments.
- An analysis of the broader economic benefits from incremental work conducted at one major B.C. firm, Seaspan, under the federal government's NSS (Deloitte, 2023). This report analyzed the impacts of Seaspan's shipbuilding and repair/maintenance work under the NSS, including 11 years of past work at the time the report was prepared, and 12 years of future work (stretching out to 2035). The authors estimate total cumulative incremental GDP for Canada of $26.4 billion over the full period, over 10,000 additional jobs at peak, and a cumulative $7.3 billion in additional government revenue.
- Seaspan commissioned another study by Shirocco Consulting (2023), not publicly released but reported in media (Shaw, 2025), which estimated the direct, indirect, and induced benefits of domestic work on some of BC Ferries' upcoming ferry replacement. The study considered two options for domestic sourcing: full outfitting alone of six ships; and partial hull construction and full outfitting of two ships, and full domestic construction of four ships. Domestic sourcing of the larger volume of work would support up to $1.8 billion of new GDP, over 10,000 jobs, and $641 million of additional government revenue.
- Even BC Ferries, perhaps to deflect criticism of its decision to source NMVs from China, has undertaken economic analysis of the broader economic benefits for B.C. and Canada from its new ferry project—even though construction of the ships themselves is occurring overseas (InterVISTAS Consulting, 2025). This analysis considers benefits from the complementary investments which the company is making (including onshore electrification facilities) to integrate the new ferries into its operations, as well as the additional economic activity opened up as a result of expanded ferry capacity. This report estimated the additional travel facilitated by the new vessels would add a cumulative total of $4.6 billion to GDP over their expected 45-year lives, and 38,000 direct job-years of employment. The additional infrastructure spending alone (worth $600 million) would generate 1300 direct jobs. Obviously, these impacts would be much greater if the ships were constructed in B.C. But BC Ferries' own use of this type of economic modeling certainly ratifies the approach taken in previous economic studies of the impacts of domestic procurement, as well as the original modeling results described below.

This body of previous published research points to a strong consensus that the domestic procurement of future ferry construction in B.C. would generate very significant economic, labour market, and fiscal benefits for the province, and the entire country. Those benefits exceed the initial cost of the ferries (that is, they generate a positive multiplier effect). They also generate significant fiscal payback to government, which can help justify any additional fiscal cost associated with domestic procurement.

To supplement this already formidable body of published research on the net economic benefits of domestic ferry procurement, this study commissioned a new economic simulation,

performed by Robin Somerville, president of QEDinc economic consultants. The simulation utilizes an integrated model with both industry-based input-output coefficients (to capture supply chain linkages associated with the procurement), and a macroeconomic module to simulate the flow-through effects on induced consumer spending, broader employment, international trade, and fiscal outcomes. The simulations assume a total spend on major new ferries of $1.6 billion, equivalent to the estimated value of the 4 MNVs being procured from China by BC Ferries.[19]

The model and its assumptions are described more fully in the Appendix. Its major findings include:

- Domestic construction of the ships contributes $1.5 billion in cumulative GDP to Canadas' economy over the construction period. 85% of that gain is experienced in B.C.
- The construction and its spin-off activities generate incremental employment of over 10,000 job-years of work, the vast majority in B.C.
- On the strength of the direct, indirect, and induced job-creation, total labour income grows by over $1 billion over the construction period.
- Domestic construction stimulates extra demand for supply chain input purchases across dozens of upstream sectors. This upstream impact includes $490 million in additional business for non-manufacturing sectors (including in the resource, services, and financial sectors).
- Constructing the ships in Canada, rather than importing them from China, generates an improvement of over $800 million in the cumulative national trade balance.
- The new activity stimulated by domestic construction generates $413 million in cumulative incremental revenue for the federal and provincial governments. This includes $160 million additional revenue for the B.C. government. This revenue flowback provides a strong basis for both levels of government to provide additional support for domestic construction—including additional federal contributions (perhaps through the NSS or the new Major Project Strategy).

The QED report notes that the ultimate impact on the Canadian and B.C. economies could be amplified with measures to enhance Canadian content in the supply purchases (such as steel) used in the construction of the ships. The modeling used existing supply chain parameters (reflecting the existing import intensity of supply chains) in its input-output simulations. Recent federal policy initiatives to support greater use of Canadian-made steel (and other domestic inputs) in public infrastructure projects, have ready application to shipbuilding. If measures to support more reliance on domestic steel for projects like these ferries were adopted, the economic spin-off effects would be even larger than indicated in these results.

In sum, these original simulations add further weight to previous evidence that allocating these important purchases to provincial shipyards would be a huge boon for B.C.'s economy.

[19] As explained above, this assumed volume of work is based on media reports regarding the estimated share of BC Ferries' loan from the Canada Infrastructure Bank dedicated for new ship construction ($660 million), adjusted for the maximum proportion of construction costs which the CIB will finance (42.5%); see Loverin (2025) for more details. This indirect estimate of the cost of ferry construction is necessitated by the absence of public reporting by BC Ferries of the value of its contract with the Chinese supplier.

These benefits are all the more important, at a moment when B.C. clearly needs additional investment and momentum to counter uncertainty arising from U.S. tariffs and other global shocks. The economic momentum generated by allocation of this major project to B.C., rather than Chinese, facilities would benefit provincial workers, businesses, and the government itself.

The obstacle to sourcing this work provincially is not economics. Rather, the barrier is simply a lack of foresight and planning by government and BC Ferries, and an overly narrow perspective on minimizing immediate purchase costs in public procurement decisions.

## Conclusion and Recommendations

This review of the B.C. shipbuilding industry has identified both encouraging opportunities and sobering challenges. On the positive side of the ledger, it confirms that shipbuilding remains an important and vibrant part of B.C.'s industrial ecosystem. Employment and production have grown in recent years. The provincial industry has been more resilient than in other parts of Canada—and B.C. now accounts for 40% of all shipbuilding jobs in the country. The technical capacity and skills of B.C. shipbuilders are world-class. There could be a steady flow of new work for the industry arising mostly from public procurement: including major expansion of federal Navy and Coast Guard projects, as well as a substantial flow of new work required to meet future needs of the provincial ferry system.

The report has also highlighted the importance and effectiveness of pro-active industrial strategy in fostering sustained growth and innovation in shipbuilding. The success of Canada's NSS in engineering a sea change in Canadian shipbuilding over the past 15 years is testimony to the power of active industrial strategies in boosting this vital industry. So too are the multiple success stories of successful shipbuilding policies from around the world, from Norway's leveraging of public ferry procurement into a world-leading industrial role in electric ships, to China's astounding rise as the dominant builder of large ships (driven by powerful and consistent interventions to support its domestic industry).

However, without concerted and sustained attention and policy action by both the provincial and federal governments, this potential will not be fully realized. The existing capacity of the provincial industry is near-fully utilized, and dominated by the operations of one company, Seaspan. Prospects for expanding provincial capacity and attracting new investment from other firms are undermined by their lack of confidence in a steady flow of future work—which would expose them to the boom-and-bust cycles associated with one-off procurement contracts. BC Ferries itself has shown no interest or commitment in translating its major ship purchases into industrial opportunities for B.C.; it pursues a narrow mandate of operating at minimum cost.

The ambiguous and inconsistent stance of the provincial government has failed to overcome barriers to expanded shipbuilding in B.C. It has issued numerous positive statements about the importance of shipbuilding and the need for a strategy, but has not acted with the determination and resources required to genuinely move the industry forward. In the current context, the government has refused to challenge BC Ferries' blinkered approach to procurement, by explicitly reforming its mandate to include maximizing domestic content in ship procurement as an operational objective and hold management accountable to that goal.

This report confirms there is ample potential to significantly expand B.C.'s shipbuilding industry, on the strength of public procurement—both provincial and federal. We make the following recommendations to seize that potential:

1. The provincial government should establish a Ministerial-level task force to develop a robust and comprehensive provincial shipbuilding strategy, and then work with stakeholders to oversee the implementation of that strategy. In addition to leadership from a provincial Minister, the task force should include senior representatives from shipbuilders, trade unions, BC Ferries, and post-secondary and vocational institutions. It will also be key to include participation from the federal government (to integrate the National Shipbuilding Strategy, federal procurement, and the Major Project Strategy).

2. The provincial government should revise its operating and contractual agreements with BC Ferries, to require the organization to maximize domestic procurement opportunities related to future ship purchases, within reasonable grounds of feasibility and cost. This may require the government to renegotiate its fiscal arrangements with the company: in addition to existing payments of regular operating subsidies, the province should also be ready to negotiate reasonable fiscal contributions to support future domestic procurement of new vessels.

3. This revised mandate for BC Ferries should include a commitment by the firm to accelerate the process of converting existing ships in its fleet to electric power capability, with all reasonable work associated with those conversions performed in B.C. facilities. Close coordination with BC Hydro on provision of shore power will also be key to attaining this goal. The government's shipbuilding task force would also pursue opportunities for advancing B.C.'s technological capabilities related to electric-powered shipping, including attracting participation from Corvus Energy and other firms with a Canadian connection. The goal should be to establish B.C. as a globally-leading centre of engineering and production of electric ships.

4. The provincial government should lead the creation of a consortium with potential shipyards and investors to coordinate expanded shipbuilding capacity in B.C. The consortium would include existing suppliers (including Seaspan), potential new entrants, and potentially new start-up entities. These discussions should consider all options for expanding the province's capability to build large ferries, including a new stand-alone integrated shipyard, split build arrangements where work is shared between smaller yards, and/or developing in-house shipbuilding capacity at BC Ferries itself. Capacity could be enhanced through expansion of existing facilities, construction of new facilities, and/or acquisition and relocation of a used drydock. Port Alberni is one promising location for new capacity, given its protected deep-water access and the process of industrial conversion occurring there (following recent decline in forestry operations). Developing a consortium of firms to jointly undertake work on large and complex projects is a proven strategy for magnifying the industry's ability to undertake major work. The goal is to ensure that B.C. shipyards collectively have the capacity to undertake full build and outfitting of BC Ferries' future new ship construction, as well as to increase shipbuilding activity in the province associated with other federal and provincial procurement opportunities.

5. The provincial government should be prepared to take equity stakes in future ventures that involve its financial support, as a way of solidifying those ventures' capital base, cementing their connection to B.C., and ensuring that the public shares in the profits of future shipbuilding.

6. The task force should work with the provincial Ministry of Post-Secondary Education and Future Skills to develop and implement a workforce development strategy to expand training programs and apprenticeships in shipbuilding and mariner trades and occupations. This will require additional funding support from the province, along with commitments by the shipbuilding firms engaged in future capacity expansion and procurement programs to hire and retain a steady flow of graduates from those programs. By ensuring a steady stream of future skilled workers for shipbuilding, in parallel with the plan to assign steady amounts of procurement-related work to B.C. shipyards, this workforce development strategy can ensure that the expansion of shipbuilding activity is not held back by skilled labour shortages.

7. The federal government must also play a role in strengthening the shipbuilding industry in B.C., as part of its broader national shipbuilding and economic strategies. Federal support for future domestic-built ferry procurement would fit well into the government's Build Canada Strong policy, as well as potentially its Defense Industrial Strategy (since the government's commitment to allocate 5% of GDP to military-related purposes includes a broad allowance for infrastructure). The Canada Infrastructure Bank should be reformed to include strong Buy Canada conditionality in the infrastructure projects which it financially supports. The *Coasting Trade Act* should be amended to include requirements for vessels working the intracoastal trade to be constructed in Canada (similar to U.S. *Jones Act* requirements). Federal trade policy should support Canadian content in the supply chain that feeds into domestic shipbuilding—for example, with strong protections for the use of Canadian steel in all domestic infrastructure applications.

These initial recommendations would kick-start the process of arranging the necessary components of a lasting industrial strategy for this industry in B.C. The goal is to allow the B.C. economy and workforce to capture a full proportional share of the benefits of an industry that is so vital to this province and its vast coast. By putting these policies and capabilities in place, the government can ensure that no future project of a scale like the BC Ferries NMV program is ever again assigned to foreign manufacturers. Instead, the economic benefits of these investments in coastal transportation would then be captured by the residents who live and travel along that coast.

# Appendix: Quantitative Economic Modeling Results

This study estimates the economic impact arising from the construction of new ferry ships in British Columbia. The results were generated using Statistics Canada's 2022 supply-use tables to build input-output models for British Columbia and Canada.

**Key Assumptions:**

- The total cost to construct the ferries is $1.6 billion.
- Input-output analysis abstracts from time; the results are, therefore, indicative of additional economic activity over the life of the project which will be spread over several years. Employment impacts are, therefore, reported as additional person-years of work.
- Input-output models assume no change in the relative prices of goods, services, and labour since 2022. Relative prices express the cost of each commodity in terms of other commodities and, therefore, account for general inflation that raises all prices.
- The analysis assumes that relative prices in the economy do not change with the addition of new ferry construction activity compared to relative prices in the economy without this activity. This assumption means that the construction of new ferries does not raise the price of goods and services used to build them.
- Import propensities are derived from the 2022 supply-use tables. Shifts in tariffs and trade since 2022 may affect purchasing patterns for commodities used to construct the ferries and reduce the overall import content of the vessels.
- The shipbuilding industry's 2022 purchasing patterns have been used to represent the input costs to construct ferry ships in British Columbia. The actual goods and services required to build these vessels may, however, differ from this assumption.
- The study does not include any capital spending required to enhance and expand British Columbia's shipbuilding capacity and capability.

**Methodology:**

The economic impacts of ferry construction in British Columbia are based on comparing the state of the economy assuming the construction of the ferries with the alternative scenario in which the ferries are not constructed.

Statistics Canada's 2022 supply-use tables were used to construct input-output models for British Columbia and Canada. The "ship and boat building" industry from the detailed supply-use table was used to estimate goods and services required as inputs to construct the ferries with the direct impact accounting for commodities imported to British Columbia and the national impact accounting for goods and services produced in the rest of the country.

The total economic impacts build on the direct impacts along with indirect and induced impacts. Indirect impacts represent the impact of purchases by the shipbuilding industry on

other industries in British Columbia and the rest of the country. These purchases lead to cascading activity across industries and provinces as goods and services are sourced to supply this production. Induced impacts represent the spending by households on goods and services arising from the additional labour income generated by the increase in industry activity from both the direct and indirect impacts. It should be noted that the analysis does not include an increase in capital spending by businesses to support the increase in demand for their goods and services.

Economic multipliers express the impacts in terms of dollars added to the economy per dollar spent on constructing new ferries or, for employment, in terms of years of work per million dollars spent.

Input-output models only generate the impact on indirect tax revenues (e.g. sales and excise taxes). An estimate of direct tax revenues arising from additional household and business incomes has been constructed to provide an overall impact to government revenues from the construction of new ferries in British Columbia. Again, the input-output models do not provide estimates of tax revenues by level of government so QEDinc has estimated these tax revenue shares.

**Key Findings:**

| Economic Impact of $1.6 Billion Ferry Ship Construction Program in British Columbia | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | British Columbia | | | | Canada | | | |
| | Total | Direct | Indirect | Induced | Total | Direct | Indirect | Induced |
| ***Millions of Dollars (unless otherwise specified)*** | | | | | | | | |
| Gross Domestic Product | 1,268.0 | 710.2 | 257.8 | 300.0 | 1,495.7 | 710.2 | 408.4 | 377.1 |
| Labour Income | 850.4 | 461.3 | 171.0 | 218.1 | 1,007.5 | 461.3 | 294.8 | 251.5 |
| Indirect Tax Revenue | 104.6 | 23.5 | 16.1 | 65.0 | 128.9 | 23.5 | 20.6 | 84.8 |
| Imports | 788.2 | 541.3 | 175.0 | 72.0 | 762.6 | 256.9 | 432.2 | 73.5 |
| Years of Work (000's) | 9,261 | 4,607 | 2,048 | 2,606 | 10,988 | 4,607 | 3,541 | 3,036 |
| ***Economic Multipliers (per $ of spending unless otherwise specified)*** | | | | | | | | |
| Gross Domestic Product | 0.79 | 0.44 | 0.16 | 0.19 | 0.93 | 0.44 | 0.26 | 0.24 |
| Labour Income | 0.53 | 0.29 | 0.11 | 0.14 | 0.63 | 0.29 | 0.18 | 0.16 |
| Indirect Tax Revenue | 0.07 | 0.01 | 0.01 | 0.04 | 0.08 | 0.01 | 0.01 | 0.05 |
| Imports | 0.49 | 0.34 | 0.11 | 0.04 | 0.48 | 0.16 | 0.27 | 0.05 |
| Years of Work (jobs per $ million) | 5.8 | 2.9 | 1.3 | 1.6 | 6.9 | 2.9 | 2.2 | 1.9 |
| ***Value Added by Industry Sector (millions of dollars)*** | | | | | | | | |
| All Industries | 1,268.0 | 710.2 | 257.8 | 300.0 | 1,495.7 | 710.2 | 408.4 | 377.1 |
| Agriculture, forestry, fishing and hunting [11] | 7.8 | 0.0 | 5.6 | 2.2 | 11.6 | 0.0 | 6.0 | 5.6 |
| Mining, quarrying, and oil and gas extraction [21] | 5.2 | 0.0 | 3.2 | 2.0 | 25.1 | 0.0 | 16.4 | 8.7 |
| Utilities [22] | 11.7 | 0.0 | 6.3 | 5.4 | 23.0 | 0.0 | 13.6 | 9.4 |
| Construction [23] | 34.6 | 0.0 | 6.1 | 28.4 | 40.5 | 0.0 | 9.2 | 31.4 |
| Manufacturing [31-33] | 777.7 | 710.2 | 57.8 | 9.7 | 799.9 | 710.2 | 65.1 | 24.6 |
| Wholesale & retail trade [41-45] | 93.3 | 0.0 | 53.9 | 39.4 | 175.9 | 0.0 | 121.1 | 54.8 |
| Transportation and warehousing [48-49] | 32.1 | 0.0 | 21.8 | 10.3 | 51.4 | 0.0 | 35.8 | 15.6 |
| Information and cultural industries [51] | 13.5 | 0.0 | 4.8 | 8.8 | 21.4 | 0.0 | 7.6 | 13.9 |
| Finance, insurance & real estate [52-53] | 168.6 | 0.0 | 38.4 | 130.1 | 183.0 | 0.0 | 49.6 | 133.4 |
| Business services [54-56] | 49.6 | 0.0 | 30.6 | 19.0 | 81.1 | 0.0 | 52.1 | 29.0 |
| Accommodation and food services [72] | 16.1 | 0.0 | 3.9 | 12.1 | 16.8 | 0.0 | 3.9 | 12.9 |
| Other personal services [71,81] | 16.8 | 0.0 | 4.7 | 12.1 | 19.9 | 0.0 | 5.8 | 14.1 |
| Health, education & public services [61,62,91] | 41.0 | 0.0 | 20.5 | 20.5 | 46.0 | 0.0 | 22.3 | 23.7 |

Economic impacts arising from the domestic construction of the ships are summarized in the preceding table, disaggregated between macroeconomic and sectoral categories. The impacts

are reported in current year dollars based on the projected construction cost of $1.6 billion and represent the impact to the economy over the entire period the ferries are being built.

- The total impact to GDP in British Columbia is $1.27 billion, rising to $1.50 billion for the nation.
- The total impact to employment in British Columbia is 9,261 person years of work, rising to 10,988 person years of work nationally.
- The total employment impact is twice as large as the direct impact, implying an employment multiplier of two (two jobs in total, for each job in direct shipbuilding activity).
- Every dollar spent on building the ferries, adds $0.79 to British Columbia's GDP and $0.93 to the nation's GDP, with 37 additional jobs being created in the rest of Canada for every 100 direct jobs in British Columbia.
- Government revenues rise by $413 million with an estimated $264 million in direct tax revenues adding to the $129 million in indirect tax revenues from the input-output model.
- Over half of government tax revenue accrues to the federal government ($221 million) while British Columbia's tax revenues rise $160 million (and the other provinces and territories gain the remaining balance).
- Combined government deficits fall by a little less than the increase in tax revenues because government current spending on goods and services and subsidies on products and production increase by between $35 and $60 million depending on the public share of the increase in health and education spending.
- The impact on the manufacturing sector accounts for just over half the total impact, as it includes both the shipbuilding industry and other manufacturing industries that construct materials used to build the ferries.
- Imported goods and services from the rest of the world account for $0.16 of every dollar spent on constructing new ferries while goods and services imported from the rest of Canada account for $0.18 of every dollar spent in British Columbia.
- The construction of new ferries in British Columbia raises international imports by $0.76 billion. This increase is, however, significantly less than the $1.6 billion dollar increase in imports that would arise from purchasing ferries built in China. Domestic production of new ferries, therefore, improves Canada's trade position relative to the alternative of purchasing foreign built ships.
- The increase in domestic industrial activity is responsible for international imports at the indirect level of impact for Canada being higher than the indirect level impact on domestic and international imports in British Columbia.

- Increased purchases of domestic steel and aluminum would increase the economic impact of new ferry construction. The federal government's new Canadian-content procurement strategies may result in the greater use of Canadian steel and other inputs in projects like this.

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