

Date: December 11, 2025

Re: Federal Partnership on the Fraser River Tunnel Project (F RTP)

The Province of British Columbia has publicly announced the construction of an eight-lane immersed tube tunnel to replace the aging George Massey Tunnel, which currently serves over 80,000 vehicles per day. The tunnel is the main bottleneck in the Highway 99 corridor, which serves British Columbia's main air cargo, marine cargo and land border gateways.

The new tunnel will increase average travel speeds along the corridor during peak periods from 30 km/h to 80 km/h, significantly increasing the capacity, reliability and resiliency of Metro Vancouver's transportation system. The crossing will include dedicated transit lanes, an active transportation corridor, and will eliminate the current prohibition on transporting dangerous goods through the tunnel.

The Province has completed its procurement process and has entered into a Design Early Works Agreement (DEWA) with a joint venture to finalize the design and proceed with preparatory construction works. BC anticipates finalizing the design, receiving the provincial environmental assessment certificate and securing all necessary permits by the end of 2026. BC is also planning to proceed with up to \$700 million in preparatory works in 2026, employing up to 150 skilled trades workers through local sub-contractors and generating nearly \$30 million in wages in 2026 alone.

BC has engaged in productive discussions over the years regarding federal infrastructure investments in the project, recognizing our shared interest in:

- Modernized infrastructure that supports the economic and social needs of Canadians and the Canadian economy
- Employing Canadians in skilled trades as soon as possible
- Creating opportunities to use Canadian products and services in public infrastructure
- Creating confidence in Canadians that their governments deliver on their commitments

The business case for this project was completed and approved by the BC Treasury Board in 2021. Since that time, global factors have resulted in cost increases on infrastructure across Canada, and the tunnel project is no exception. While the 2021 approved budget was \$4.15 billion, BC now anticipates a project budget of \$8.5 billion. The project completion will also move from 2030 to 2031.

Cost drivers include:

- Cost increases for materials and services driven by global disruptions including the pandemic, military conflicts and economic protectionism.
- A four-year environmental assessment process to ensure that the project mitigates the impacts of working in the Fraser River area and meets our obligations to seek consensus from participating Indigenous Nations
- High costs for the specialized marine equipment and subcontractors to complete the in-water works and mobilize from Europe

In 2021, BC completed a business case for the project that directly compared an immersed tube tunnel option with a bridge option. Based on the robust comparative analysis, the tunnel option was selected as the best project for the region. However, given the actions taken by the United States to damage Canada's steel industry, BC has undertaken more recent analysis to understand the opportunities for supporting Canada's steel industry in both options.

Our analysis found that there is a greater quantity of steel used in the tunnel option than in a bridge option. The tunnel will require over 140,000 metric tonnes of steel, primarily to be used as reinforcing steel in the concrete tunnel elements (40%), and pipe and pile steel for the foundations.

Through our market engagement and work with our contractors, we can source some of the smaller gauge rebar from Canadian mills at a cost premium. We are not aware of any barrier to producing the larger gauge rebar other than the requirement to re-tool steel mills to support that product.

We have also engaged with our contractor to explore the production of the pipe pile and sheet pile in Canada. To date the response has been that that Canadian mills do not roll this profile of steel. Re-tooling these mills to support Canadian production would be a business decision on the part of the mills.

We estimate that the bridge concept used in the 2021 business case would have required almost 40 percent less steel (86,000 metric tonnes) than the tunnel and would include both structural beams and reinforcing steel.

As part of the design work and cost estimating, BC has concluded that the 140,000 metric tonnes of steel could be sourced from Canadian suppliers, but it would cost approximately \$500 million more if the steel were also produced in Canada, rather than by global producers. This price premium is not included in the \$8.5 billion project estimate.

This price premium is based on the following understanding of the Canadian steel industry:

- Higher production costs
- Limited ability and capacity to produce some of the specified types and grades of steel
- Higher transportation costs to ship materials from eastern Canada to British Columbia compared to the costs of shipping from other global locations

British Columbia has repeatedly indicated its interest in working with Canadian steel producers and suppliers to understand how these cost premiums and capacity constraints can be mitigated. We would welcome any opportunities to engage with the federal government, the railways and the steel industry that ensures that Canadian steel can be used on projects in British Columbia as easily and cost-efficiently as it is being used in the rest of Canada.

BC plans to proceed with the tunnel project in 2026, to enable Canadian companies and Canadian workers to immediately benefit from the construction of this nationally significant project. These companies and the skilled trades unions have been planning for work to begin on the tunnel in 2026. This includes the previously noted \$700 million in preparatory works on the casting basins, soil improvements, and temporary access structures, providing work for up to 150 workers and generating nearly \$30 million in wages for unionized and indigenous workers in 2026 alone. Any construction delays, or deliberations on alternate project options, would result in any productive work being deferred to 2027. Construction of a bridge (and the resulting economic impacts to the BC and Canadian economies) would not begin until 2027, even under the expedited procurement approach that was used by the BC Ministry of Transportation and Transit for the 2021 Atmospheric River Highway Reinstatement Program. This would be a one-year delay in the start of construction, contracts and employment opportunities.

To reiterate, BC is seeking a contribution from the federal government of \$4.25 billion to fund half the cost of the target price of the tunnel project, as well as the price premium associated with the use of any Canadian steel.

We require information on the federal government's funding contribution before December 16 to stay on track with the preparatory construction (in-river) works in 2026.

Please contact Heather Wood, Deputy Minister of Transportation and Transit at (250) 415-3697 if you require any additional information. Detailed project budget and technical information are available upon request.