

Big expectations for Asia-Pacific Gateway project cargo

By Darryl Anderson, Managing Director, Wave Point Consulting and Mike Weiner, Branch Manager, JAS Projects

According to the Project Cargo Network, “heavy lift/project cargo” is the term used to describe the national or international transportation of large, heavy, high-value, or critical pieces of equipment. The business sectors that generate the strongest demand include bridge/infrastructure, chemical facilities, LNG, manufacturing/processing, machinery, maritime, mining operations, oil and gas, paper and pulp, power generation, solar, steel, wind power and yachts. To follow is a perspective on existing Asia-Pacific Gateway project cargo services and recent developments as well as a closer look at LNG project cargo-related issues.

Asia-Pacific Gateway project cargo

Thanks to the efforts of a Project Cargo Working Group led by Port Metro Vancouver, Brady Erno, Manager of Sales and Customer Service for Fraser Surrey Docks, believes that there has been a shift in momentum and market sentiment over the last four or five years as beneficial project cargo owners have come to better understand Canada’s Pacific Coast ports and their ability to handle project cargo. The benefits of project cargo flowing through our gateway is not limited to just resource projects — product from local micro-breweries, the windmill on Grouse Mountain, and even Seaspan’s Big Blue crane have benefitted from local project cargo flows.

At the present time, “the Western Canadian project cargo market remains muted because of the current low-price energy environment, the federal election and the recent Albertan election result and subsequent announcement of a royalty review,” said Chris Montgomery, Canadian flatbed and heavy haul transportation specialist and Landstar agent.

Despite the economic turbulence, business growth drivers in B.C. include the massive infrastructure upgrades such as the Site C dam, the George Massey Tunnel replacement project, the newly opened Stewart World Port near the Alaska/B.C. border, Prince

While both PMV and PRPA are formidable project cargo competitors...some Vancouver Island ports might be part of the logistics solutions required for LNG development.

Rupert container development plus the anxiously anticipated modular equipment moves required to support LNG development.

Regardless of the current level of activity, Port Metro Vancouver (PMV) serves as a major competitive gateway for project cargo bound for western Canadian resource projects, most notably steel and machinery.

From a transport infrastructure perspective, PMV facilities offer access to extensive road connections, as well as established corridors for overweight and over-dimensional project cargoes. CN and CP on-dock rail facilities provide service to key destinations across North America. BNSF and Southern Railway of British Columbia (SRY) links further enhance these networks.

Photos: Dave Roels (www.daveroels.com)



Lynnterm (above) and Fraser Surrey Docks (below) are the two main options for heavy lift cargo in the Lower Mainland.



The joint venture between Tidal Transport and the Coast Tsimshian First Nation has provided for a roll-on/roll-off ramp operation located on Ridley Island.

In terms of marine traffic, the port offers flexible cargo handling options and reliable and efficient vessel loading and discharging services. For project cargo interests, there are two main options within the Lower Mainland — Fraser Surrey Docks on the Fraser River and Lynnterm in North Vancouver.

Fraser Surrey Docks is a multi-purpose marine terminal handling, among other items, general cargo, logs, steel, and machinery. A benefit of the Fraser Surrey Docks operations for cargo interests is the ability to use some of the container handling equipment, such as reach stackers, for top lifting sensitive project cargo, according to Brady Erno.

Vancouver Harbour's Lynnterm re-mains a consolidation centre for forest products, steel and other break bulk commodities. It handles steel products, project cargo, and machinery.

However, other options for project cargo may be emerging within the Lower Mainland as participants at Seapan's Industry Day in September 2015 learned that Seaspan is looking at using one of their large dry docks in North Vancouver for modular construction and as a staging area for materials.

Challenging Vancouver as a project cargo gateway is the Prince Rupert Port Authority. Port officials believe that their port is well-positioned to provide a Canadian gateway solution for project cargo destined for Western Canada.

Vancouver-based Tidal Transportation and Trading offers project cargo owners an alternative in the Prince Rupert area. In early 2008, Tidal Coast Terminals (TCT) assumed operational control of a former sawmill site in Butze Bay. The secure 54-acre site offers 3,000 linear feet of direct water access with convenient road proximity to the Fairview Container Terminal, local project sites, and beyond.

Brian Friesen, Manager Marketing for the Port of Prince Rupert remarked that the port's re-entry into the break bulk and project cargo business took a major step forward in early 2015 with a joint venture between Tidal Transport and the Coast Tsimshian First Nation. The project cargo operation will involve lightering cargo from a ship into a typical 7,000-tonne barge and then onto a roll-on/roll-off ramp operation located on Ridley Island where unloading operations are not impacted by Prince Rupert's large tidal range. The site provides a 2.6-hectare (6.5-acre) laydown area with access to the CN rail network and TransCanada Highway 16. As such, the Port of Prince Rupert offers attractive rail and road access to shippers transporting steel, machinery, modules and oversized cargo.

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With the potential project cargo associated with energy sector developments, observers may also wonder whether the British Columbia maritime marketplace has the depth of services to support traffic growth.

Citing the historical strength of Prince Rupert in terms of break bulk and project cargo (that was interrupted with the conversion of the Fairview terminal to containers), Port Authority officials cite their community's closer proximity between Asian fabrication centres and large B.C.

and Alberta energy, mining and resource projects. This will provide travel distance, reliability and cost advantages over traditional project cargo gateways in North America. Recognizing the challenges that many ports have when operating in an urban environment,

Prince Rupert offers an alternative that is away from the congestion of major population centres.

While both PMV and PRPA are formidable project cargo competitors, Landstar agent Chris Montgomery, an experienced project cargo service provider, pondered whether some Vancouver Island ports might be part of the logistics solutions required for LNG development.

To date, project cargo interests on Vancouver Island are primarily using the facilities of the Nanaimo Port Authority (NPA). Working with its partner, DP World, the NPA pursue the loading of diversified commodities. The types of project cargo operations using either the Nanaimo Assembly Wharf or the Duke Point Terminal include barge loading (steel), pipe and modules. However, a new mobile heavy lift crane provides new opportunities. David Mailloux, Manager of Communications and Public Affairs for the NPA noted that "the Liebherr 500 Mobile Harbour Crane arrived July 25th and will be operational later this year. The 51-metre crane has a 104-metric-tonne lift capacity."

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In terms of shipping agents and companies, there are a number of firms with project cargo experience — for example, Pacific NorthWest Ship and Cargo Service, BBC Chartering, Cascadia Container Line (a non-vessel owning common carrier involved with out-of-gauge logistics), Westwood Shipping Lines, and Canaan Group (who were awarded the CANADA RAV LINE 2010 project).

The business prospects in B.C. have also attracted some new market entrants. Bremen-based JAS Projects – Oil and Gas recently opened an office in Vancouver. Their presence in the market strengthens an already formidable knowledge base in the region to help support the LNG, mining, oil & gas stakeholders and engineering companies in B.C. It is a "very exciting times for us as a project logistics company by adding a different flavour to the B.C. project logistics sector," said Mike Weiner, Branch Manager for JAS Projects. "Understanding what the local challenges are for capital projects to move forward in BC is key."

In terms of shipping lines, Grieg Star has a significance presence in the B.C. market.

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Other shipping services represent newer entrants to the B.C. project cargo marketplace. One example is AAL Shipping, who have been operating tramp and liner services to West Coast ports for the past few years. AAL's fleet of heavy lift, multi-purpose vessels and chartered-in external tonnage visit a vast number of ports around the world, transporting high-value cargoes for industries such as oil and gas, construction, wind energy, agriculture and leisure. On September 18, 2015 the Vancouver International Maritime Center announced that AAL was the first success in attracting operational headquarters to Vancouver (see page 36).

Anthony Utley, owner of Raven Marine Yacht Services in Sidney, has added to his marine business portfolio by creating Raven Offshore Shipping Lines, Ltd. Raven Offshore is 100-per-cent First Nations owned, and is one of the very few aboriginal-owned firms providing ocean transport services. Together with Rick Gladych, they are the Managing Partners and Founders of Raven Offshore Yacht Shipping. Since forming in May 2013, they have completed 24 charters involving a B.C. port including Nanaimo, Chemanius, Victoria, Squamish and Vancouver. Shipping lines they have used include Starr Shipping, NYK and Thorco.

Raven's presence in the market has acted to stimulate additional project cargo traffic from Vancouver Island. For

example, in the fall of 2015, a ship that started its voyage in Valleyfield Quebec travelled to Mexico where it discharged its cargo and then loaded some yachts that were discharged in Nanaimo. From Nanaimo, the vessel will load some project cargo destined for Russia.

A heavy haul corridor

Fraser Surrey Dock's Erno said that the B.C. government is committed to the Project Cargo Working Group's efforts. A December 2013 B.C./Alberta Deputy Ministers' Working Group report stated, "A new element that has recently come to the forefront is the movement of cargo and modular units ... this is referred to as project cargo."

The 2015 *B.C. on the Move: A 10-Year Transportation Plan* provides a partial response to potential project cargo needs. The provincial government is working with industry to expand the number of provincial highway corridors pre-approved for the transport of 85-to-125-metric-tonne loads. Out of the approximately 47,000 km of provincial highways and side roads, over 5,000 km are currently pre-approved for the transport of 85-tonne loads. The following routes are of primary interest: Lower Mainland to the B.C./Alberta border via Highways 1, 5, and 16; and Prince Rupert to the B.C./Alberta border via Highway 16.

Peter Kotta, Vice President, Planning and Operations for Port Metro Vancouver, said: "Project cargo often moves through Port Metro Vancouver and our gateway. However, while we enjoy a competitive advantage over ports and project cargo

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...it is important for LNG and other large project cargo proponents to factor maritime logistics...into transportation considerations...

corridors in the United States, including a much shorter crossing distance and time to and from Asian markets, we often see major project cargoes destined for Canadian project locations move through ports in the U.S. That's why Port Metro Vancouver is contributing, with key industry stakeholders, to the B.C. Ministry of Transportation and Infrastructure's (BC MoTI) work to develop pre-approved provincial highway corridors for project cargo in British Columbia. This effort is working towards developing pre-approved corridors, with pre-determined permit conditions, for 125-metric-tonne oversize and overweight cargoes. The introduction of an online automated permitting system would provide trucking companies with the ability to obtain permits 24 hours a day, seven days a week, and provide for a 48-hour permit turnaround time for loads that fit into pre-determined specifications. The work is being conducted with a goal of expanding the weight and dimensions of cargoes that are capable of being pre-approved to pass through our gateway. We are encouraged by the progress of BC MoTI's

initiative so far, and look forward to its implementation in the new year."

LNG sector development

While the B.C. maritime and transport sectors have infrastructure and services in place to handle project cargo, perhaps one of the biggest expectations that is being addressed by industry participants is effective collaboration. Long gone are the days of "just get it done at all costs" approach to project cargo logistics management. The new project management "norm" is one that balances economic factors with planning and efficiency. As a result, the world of project logistics is seeing increasing interest by stakeholders and engineering companies in developing tightened economic models, which are increasing in importance in our present lower-priced commodity markets.

British Columbia's maritime and logistics professionals in the liquefied natural gas (LNG) sector are at the forefront of addressing these new pressures and challenges. In the LNG sector, due to the specialized nature of a facility, it is anticipated that many materials for project construction would come from outside the country. One large land-based B.C. project proponent estimates that 32 per cent of the labour, goods and services required for engineering, purchasing, construction and commissioning would be from Canadian sources, leaving the remaining 68 per cent coming from other locations. Thus, offshore suppliers will be looking to ship pre-fabricated LNG plant building materials. As a result, project cargo, steel and other material would arrive by ship and need to be offloaded for assembly on site.

Conclusion

The ability for B.C.'s ports to handle project logistics will be a key contributor to the economic development of Western Canada. It is also encouraging to see signs of First Nations economic development in the maritime sector as the result of their involvement in project cargo. Thus, it is not surprising that B.C. project cargo interests had a strong presence at the Break Bulk America's show held in Houston in early October.

The efforts of the Project Cargo Working Group show that B.C.'s collaborative approach is key to meeting industry's big expectations. With this thought in mind, it is important for LNG and other large project cargo proponents to factor maritime logistics expertise into transportation considerations, starting with the engineering and design stages of the project, straight through to supporting transportation needs during construction and daily operations, and ultimately the decommissioning of facilities. Such an integrated approach is perhaps most at risk in the early stages of joint venture initiatives where the various parties may not have finalized the respective roles and responsibilities until a much later stage of the development process. However, we remain hopeful that healthier models will prevail because it is only through collaboration that practical logistics considerations can be addressed in the initial phases of project planning before the cost to address major issues will have increased for all parties.

Darryl Anderson is a strategy, trade development, logistics and transportation consultant. His blog Shipper matters focuses exclusively on transportation and policy issues (<http://wavepointconsulting.ca/shipping-matters>).

Mike Weiner is a 30+ year career logistics professional focusing on collaborative solutions for regional and global stakeholders, EPCs and equipment manufacturers at JAS Projects – Oil and Gas. Visit www.jas.com for more information.



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