

Canada's Gateway Ports

Title holders and contenders

By Darryl Anderson, Managing Director, Wave Point Consulting
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With the current sea of red ink in the shipping sector creating an intense competition amongst ports and terminals, it is not hard to liken that industry to a boxing match between current title holders and contenders. Rather than relegating this metaphor to an afterthought, this article will use it to review the march of Canada's container gateway title holders and their leading contenders.

Title holders — Eastern and Atlantic Canada

Montreal is the largest container port in eastern Canada, handling about 1.44 million TEUs. The port's biggest strength is its proximity to Canadian and U.S. mid-west markets. It is a one-day truck haul to 40 million consumers and less than two days from 70 million, and is served by two transcontinental railways. Previously a North Atlantic trade-dependent port, its port container markets are now global — Northern Europe accounts for 41 per cent; the Mediterranean region, 20 per cent; and Asia, 17 per cent.

Montreal's strength as a container gateway competitor stems from the unique array of carriers that service the ports in regions like northern Europe, the Med, Asia, and the Caribbean. Interestingly, these carriers primarily operate outside the alliance structure and in some cases, with purpose-built vessels for this trade. Major players include MSC, Hapag-Lloyd, OOCL, Maersk and CMA CGM. Oceanex operates a short-sea service to and from Newfoundland & Labrador.

A mostly flat container growth rate in 2016 has not prevented Montreal from adding infrastructure muscle. This past year, the Port of Montreal commenced construction of a 450,000 TEU-capacity terminal in its Viau section, which will expand capacity to 600,000 TEUs. Another infrastructure initiative to improve the flow of cargo includes a new roadway linking the port

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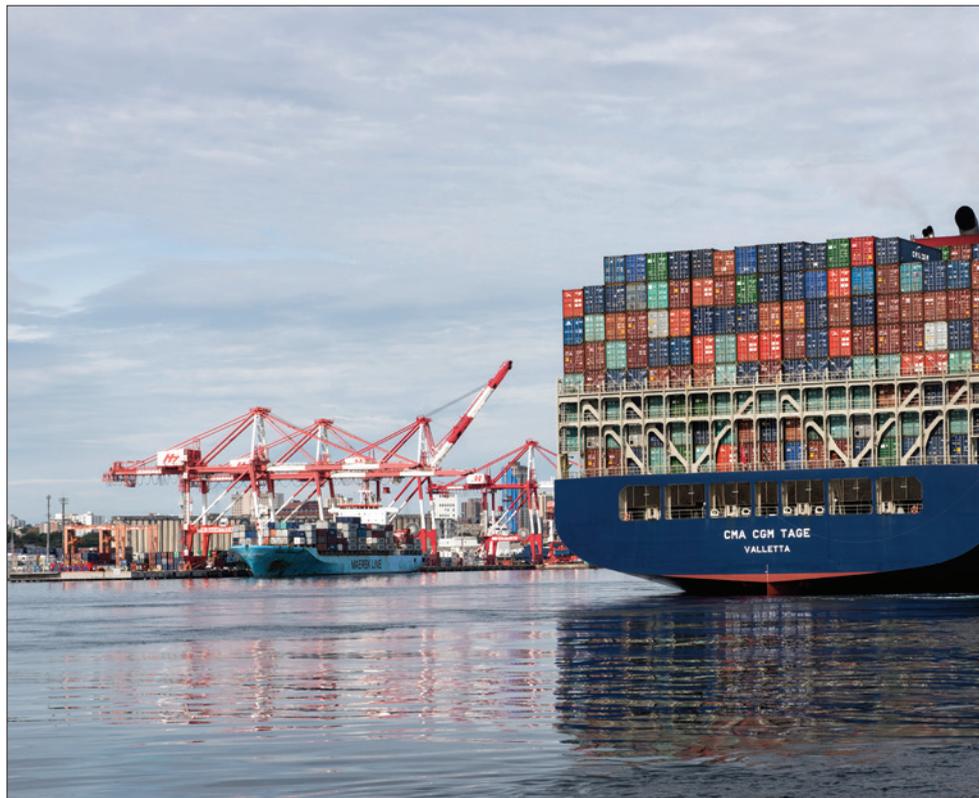
to Autoroute 25. In the future, the Port of Montreal plans to build a new facility at Contrecoeur, about 50 kilometres downstream on the South Shore of the St. Lawrence, where there is already a bulk-handling facility.

The Port of Halifax saw an active year in 2016. The most recent performance figures show a 16.1 per cent increase year-over-year of container traffic to the end of the third quarter in 2016. Such a growth rate would bring annual container volumes close to 500,000 TEUs, within 50,000 TEUs of the port's record set in 2005.

Lane Farguson, Communications Advisor with the Halifax Port Authority,

indicated that "there are several factors contributing to the growth." He said, "It was during the third quarter of 2015 that the O3 Alliance started calling at the South End Container Terminal, operated by Halterm Container Terminal Ltd.; and the G6 Alliance, now known as THE Alliance, added an outbound call at the Fairview Cove Container Terminal, operated by Ceres-Halifax. These new and expanded services have been in place for over a year now, and those are certainly contributing factors to their growth."

While some container ports were concentrating on infrastructure muscle, the Halifax Port Authority was working on



The Port of Halifax.

enhanced dexterity to improve its gateway competitiveness. The web-tracking tool for importers and exporters (www.halifaxgetsthere.com) was updated in 2016 to include several new features designed to make it easier to do business. The enhanced container tracking tool allows clients to monitor a container's movements by setting up automated email or SMS alerts. Users can enter a single container number or upload a larger list of files and identify the specific alerts they wish to receive.

In 2017, the Halifax Port Authority will continue to work collaboratively with partners and stakeholders, including terminal operators, labour, CN Rail, carriers, and all three levels of government to build on the positive momentum achieved in 2016. Ferguson further remarked that "We've been preparing for the arrival of Ultra-class vessels with capacity over 10,000 TEU for several years. Halifax is in an excellent position to accept these vessels because of our deep harbour, our uncongested port, our connections to regional road and rail networks, our excellent partnerships, and our experienced labour."

With all of this happening at the same time, the shipping industry has signalled the need to accommodate two

"We've been preparing for the arrival of Ultra-class vessels with capacity over 10,000 TEU for several years. Halifax is in an excellent position to accept these vessels..."

400-metre Ultra-class container vessels at one time.

The Halifax Port Authority announced, during Port Days 2016 last September, that it had engaged WSP Parsons Brinkerhoff to produce a new port master plan. Because it is "only" 666 metres in length, plans include considering an expansion of the South End terminal both south and northwards, as

well as relocate it across the harbour to either Shearwater or the former Imperial Oil lands.

How the Halifax fight card plays out in 2017 is still a bit uncertain. Since early fall, there have been reports of either a merger or operating agreement between the port's two container terminals. If the agreement comes into effect, it could result in all Halifax container cargo



Photo: Steve Farmer



The Port of Montreal.



The Port of Saint John.

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being handled at the South End terminal (Halterm) or it being split between the two, whereby post-Panamax ships would be dealt with at Halterm and smaller vessels at Fairview Cove.

“...there is no question that Saint John can be a competitive gateway for U.S. traffic.”

Port Saint John, mainly a bulk port with about 28 million tonnes of cargo moved per annum, is the largest port in Atlantic Canada and one that has been in the container fight game since 1971. Since 1999, Tropical Shipping's service to Florida and ports in the Caribbean had been a mainstay. In 2014, it attracted MSC, which calls on the port when transiting from Montreal to Freeport, Bahamas, where cargo connects to a myriad of services in all directions.

Like any aspiring prizefighter, success does not come without taking some body blows. The port was dealt a setback towards the end of 2016 when Tropical Shipping announced it was leaving and would start calling at Halifax from early January 2017.

Nevertheless, Port Saint John remains undaunted and has embarked on an investment plan that will add heft to its ambitions. In 2016, the port announced

a budget of \$205 million over seven years to expand the Rodney Container Terminal to 25 acres, 667 metres in berth length, and 15.2 metres depth alongside, to accommodate larger vessels. The port issued a tender for detailed engineering design in late 2016, and expects to award a contract in early 2017.

DP World was named to replace Logistec as the operator of the Rodney Container Terminal and port management is excited to have a new partner who shares their vision for the future; intends to invest in new equipment; and aggressively market the facility. As of late October, new post-Panamax cranes had been delivered and will be operational by January 2017. Together with their rail partners, CN and several short lines that connect with CP outside Montreal, Saint John intends to capture a bigger slice of gateway and local cargo.

“CN is working with the Port Authority and DP World in Saint John to finalize agreements that will bring additional competitive supply chain services to the hinterland of central Canadian markets in co-operation with our new partners,” said Jean-Jacques Ruest, Executive Vice-President and Chief Marketing Officer at CN.

“DP World is excited about operating in Port Saint John. A tremendous number of opportunities for cargo growth and logistics solutions exist within the

market place,” said Matthew Hoag, Operations and Commercial Director, Americas Region. “Also there is no question that Saint John can be a competitive gateway for U.S. traffic. We intend to develop all of these opportunities with our partners CN Rail and the Port Authority of Saint John.”

As Jim Quinn, CEO of Port Saint John said, “the journey we began six years ago is continuing, and new partners that have come to the table are helping us realize the exciting opportunities we see in front of us.”

Title holders — Pacific Region

Port of Vancouver, Canada's largest and busiest port, trades with more than 160 countries. It is serviced by three intercontinental Class I railways — Canadian National, Canadian Pacific and Burlington Northern Santa Fe — as well as the Southern Railway of BC. The Port offers access to the Trans-Canada and U.S. Interstate highway systems with interconnecting service provided by major trucking lines.

A wily veteran competitor, Vancouver ... is the undisputed container gateway heavyweight title holder in Canada for traffic volume.

Port activity supports an estimated \$9.7 billion in GDP, \$20.3 billion in economic output, and \$6.1 billion in wages. Vancouver has experienced continued growth in both bulk and containerized grain and agri-product businesses year-over-year since 2012. In 2016, 23.5 million metric tonnes of grain were handled, up more than six million from 2012.

A wily veteran competitor, Vancouver throws an impressive one-two punch with Global Container Terminal (GCT) Inc. and DP World (Canada) Inc. It is the undisputed container gateway heavyweight title holder in Canada for traffic volume.

Vancouver's dominant marine container operator is adding increased foot speed to its arsenal. GCT's Manager, Market Initiatives and Development, Louanne Wong, indicated, “GCT Deltaport has the largest on-dock



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The Port of Vancouver (Westshore Terminal and Deltaport).

Photo: Dave Roels (www.daveruels.com)

intermodal rail yard in North America and is undergoing a redesign that will help increase rail capacity to 1.9 million TEUs, all within its existing footprint.”

An essential piece of the project also includes the purchase of 12 state-of-the-art rubber-tyred gantry (RTG) cranes at the start of 2016 from leading clean-energy equipment manufacturer Konecranes of Finland. The new equipment will boost yard velocity at the country’s flagship container terminal, densifying container handling with the RTGs’ 1-over-5-high and 40-tonne lift capacity.

The RTGs will join an advanced equipment fleet equipping GCT Deltaport to be big-ship ready, smoothing any volume surges from the largest vessels calling the facility. Considered among the most sophisticated in their class, the Tier 4f cranes will be hydraulics-free, featuring diesel fuel-saving and active load control technologies to optimize container handling and environmental performance.

“Konecranes’ RTGs were selected for their reliability and technological features that support our growth while minimizing our environmental impact,” said Eric Waltz, President of GCT

Canada. “Not only will we provide customers with cargo delivery certainty through the growth in yard capacity, but we will do so in the most sustainable way possible.”

Late in the first quarter of 2017, GCT will receive delivery of two high-efficiency ZPMC megamax cranes, which ... will handle the largest vessels worldwide.

The 2017 fight card will continue to see construction activity occur, including equipment arrivals and commissioning. Last June, GCT Canada received delivery of the first six Tier 4f, lowest emission, 40-tonne lift capacity RTGs. The final six will arrive in the second quarter of 2017. In September 2016, GCT received delivery of its fleet of eight; electric Künz cantilevered rail mounted gantries (CRMG).

Late in the first quarter of 2017, GCT will receive delivery of two

high-efficiency ZPMC megamax cranes, which, at 23-plus container outreach, will handle the largest vessels worldwide. The fleet will undergo testing before the project goes live in mid-2017, and along with the intermodal yard redesign, will increase efficiency and speed up train handling at GCT Deltaport.

While recently fighting in a lighter weight class, the DP World Centerm expansion project will see the marine terminal add more muscle and strength. It plans to increase TEU capacity from 900,000 to 1.5 million. It is scheduled for completion in 2019. At the start of 2016, the proposed Centerm Expansion Project was in the preliminary design phase when technical and environmental studies were undertaken. The proposed project is subject to review and approval by the Port of Vancouver’s project and environmental review process.

Cargo diversification is one of the highest priorities for the **Port of Prince Rupert**. Liquid bulk projects in various planning stages include Prince Rupert LNG, WCC LNG and Pacific Northwest LNG. Breakbulk cargo enthusiasts watched with interest on September 14, 2016, when the Port of Prince Rupert announced it had signed



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The Port of Prince Rupert.

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a feasibility assessment agreement with SSA Marine and wholly-owned subsidiary Western Stevedoring to explore the viability of a breakbulk and bulk import/export terminal located on Kaien Island. Bulk liquid export enthusiasts cheered the early January 2017 final investment decision for the Ridley Island Propane Export Terminal.

Not to be outdone as a container gateway, the PRPA's completion of the Fairview Terminal Phase 2 Project will see them move to a higher weight class in 2017. The Phase 2 north container terminal expansion project, launched in the first quarter of 2015, was, by December 12, 2016, more than 75 per cent complete and is on schedule to increase annual capacity at Prince Rupert's container terminal to over 1.35 million TEUs by the third quarter of 2017.

Fairview Container Terminal anchors one of the West Coast's most efficient trade lanes, served by CN's North American Class 1 railroad and providing extensive reach into major markets in Canada and the U.S. The expanded terminal will include a second deep-water berth, three additional gantry cranes, and land reclamation to further expand

the container yard. On-dock rail capacity will also be expanded by densifying the current track configuration, which will be supported by a rubber-tyred gantry crane operation.

"Prince Rupert's success has been driven by its unparalleled geographic position on the Trans-Pacific trade route, high terminal productivity, and consistent low dwell times that have sustained despite our significant growth in throughput over the past two years," said Maksim Mihic, General Manager, DP World (Canada) Inc. "Strong relationships with our partners from ILWU locals, Port of Prince Rupert and CN Rail have resulted in a reliable and competitive service for our customers."

The next significant milestone for the project is expected in March 2017, with the arrival of three Malacca-max dock gantry cranes to make Prince Rupert big-ship ready. Each crane is equipped with a reach of 25 containers wide and can work the largest vessels in the world with a carrying capacity of 20,000-plus TEUs.

Port of Nanaimo's Communication and Public Affairs Manager, David Mailloux, told *BC Shipping News*: "Building on strong cargo performances

in 2014 and 2015, the Port of Nanaimo, only 30 miles from Vancouver, continues to expand for future cargo movement through Vancouver Island with its partner DP World. Container movements demonstrate steady growth with a 39 per cent lift in 2015 over 2014 and a 22 per cent increase in 2016 over 2015."

Expansion and improvements of Nanaimo's Duke Point terminal allows this mid-island deep sea port to punch above its' weight.

Expansion and improvements of Nanaimo's Duke Point terminal allows this mid-island deep sea port to punch above its' weight. In 2016, the NPA and DP World added Vancouver Island's first Load-on / Load-off container barge service, complemented by its' newly acquired 104-metric-tonne mobile harbour crane for greater load capacities and diversified cargo handling. The NPA is working on

Phase II of the Duke Point Terminal Expansion, looking at government infrastructure funding to double the size of the terminal and provide a second deep-sea berth by 2020 or earlier.

Although there is much focus on container and bulk activity at the NPA, with their considerable lay down areas and berth capacity, they remain committed to providing cost-effective alternatives and short-sea shipping solutions for break bulk commodities destined for the Lower Mainland.

Eastern contenders

Proponents of the **Melford Atlantic Gateway** terminal in the Strait of Canso began developing their project in 2005. It is 100 per cent privately financed and now has SSA Marine as its operating partner. In December, the project received an injection of \$100 million by SSA and a further \$25 million by Cyrus Capital Partners, LP, its original backers, bringing the total investment to \$165 million. The facility will sit on 315 acres and be able to handle 15,000-plus TEU vessels. Adjacent to the terminal will be

a 1,500-acre logistics park. A rail spur will be built to connect the terminal to the CBNS short line, which in turn will link up with CN at Truro. The proponents claim to be “ready to go” once they receive a commitment from a shipping line consortium.

In the past year, **NovaPorte** has emerged in the Port of Sydney, on Cape Breton Island. In late December, Sydney Harbour Investment Partners (SHIP)

secured the backing of Ports America, and has proposed to build a 500-acre semi-automated facility, together with a 1,200-acre logistics park served by an upgraded short line presently operated by G&W. The concept is to attract large 19,000-plus TEU ships on Asia-Suez routings and transship cargo destined for Montreal and the Great Lakes region, as well as points on the U.S. East Coast. Cargo would move by rail or vessel. It is



Artist's rendering of the potential NovaPorte in the Port of Sydney, a 500-acre semi-automated facility.

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The Port of Port Alberni.

not clear who would finance the project but it has the backing of a few significant entities, including Bechtel Corporation, China Communications Construction Company (CCCC) and Montreal-based Canderel Group, which would build the logistics park.

Western contenders

The Port Alberni Port Authority strategy to develop a new container terminal in the Alberni Inlet on Vancouver Island puts it on the list of contenders of the container fight card. The Port Alberni Trans-Shipment Hub (PATH),

envisioned as a modern, fully automated container terminal, would be able to handle the new Ultra-large container ships up to 22,000 TEUs. The primary focus of PATH as the “hub” is to service the “spokes,” i.e., container handling facilities throughout the Salish Sea area with dedicated cellular barges.

...in a period of shipping line consolidation and new alliance structures, the presence of global container terminal operators active in the Canadian market should not be underestimated.

In the wings

At least three promoters are looking to get into the marine container terminal fight game in Canada. These groups propose building new greenfield terminals to attract the 19,000-plus TEU mega-ships. The promoters must do significantly more than announce their intentions to be placed on the container fight card line-up even to be considered dangerous opponents. However, in a period of shipping line consolidation and new alliance structures, the presence of global container terminal operators active in the Canadian market should not be underestimated.

If the presence of contenders in the market helps spur innovation and infrastructure investment amongst existing titleholders, shippers will indeed say the main prize fight, and the undercard was worth watching in 2017.

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

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