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February 24, 2020

CANADIAN PORTS RECAP

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Reconciliation, Rule of law, and Resources

BY K. JOSEPH SPEARS

As anyone involved in the transportation industry knows, the past month has been challenging for Canada’s national transportation network. Rail transportation has come to a standstill for both commercial and passenger traffic in Eastern Canada, as blockades of various railways and port facilities by various First Nations and their supporters arose to support the position taken by a number of Hereditary Chiefs of the Wet’suwet’en Band who have not surrendered their aboriginal right and title to their territory of 22,000 km². The protests were a sign of solidarity in response to actions by the Royal Canadian Mounted Police to enforce an injunction obtained by Coastal GasLink in the British Columbia Supreme Court to create an exclusion zone around the traditional Wet’suwet’en territory to allow construction of a natural gas pipeline to LNG Canada’s liquefaction facilities and export terminal under construction in Kitimat, BC.

RESOURCES

LNG Canada’s project is the largest industrial project in Canadian history, and is being built to export liquified natural gas (LNG) to global markets. The project includes the Coastal GasLink pipeline which is a new pipeline to move natural gas from Northeastern British Columbia to Kitimat. The pipeline took eight years of planning and regulatory approval overseen by British Columbia, and was not subject to federal regulatory oversight. All the necessary provincial government permits were obtained, in addition to widespread support from communities along the proposed line. However, no approvals were obtained from the Hereditary Chiefs of the Wet’suwet’en Band. (Nonetheless, many Hereditary Chiefs do support the Coastal GasLink project). Earlier in 2019, a blockade was set up on the Morice forest service road within the traditional territories of the Wet’suwet’en Band that denied access to Coastal GasLink and its contractors to work on preparations for the commencement pipeline construction. This gave rise to the securing and enforcement of a civil injunction which was sought by Coastal GasLink.

The story is somewhat complicated because all First Nations band councils that were established under the federal Indian Act on reserve lands along the pipeline route support the project, while a number of the Hereditary Chiefs oppose the project. This highlights the dual governance of First Nations in British Columbia.

A recent article by First Nations lawyers Kate Gunn and Bruce McIvor write “By contrast, the Hereditary Chiefs are responsible under Wet’suwet’en law and governance for making decisions relating to their ancestral lands. It is these lands that the Hereditary Chiefs are seeking to protect from the impacts of the pipeline project, not Indian Act reserve lands.” (www.firstpeopleslaw.com/index/articles/438.php)

It is important to note that the Indian Act created band councils which have jurisdiction only over the reserve lands, but which do not include the traditional territories. The band councils are creations of statute and have limited powers. The Hereditary Chief governance structure predates Confederation, and operates in parallel with the band councils, and it is the purview of the Hereditary Chiefs to exercise governance over land-use on their traditional territories. The Hereditary Chiefs have been recognized in law as being essentially stewards of the land. Under Aboriginal law, Hereditary Chiefs are given the authority to control activities on their territories. The Chiefs have taken the position that they are responsible for deciding to allow construction of the proposed pipeline. The powers of Hereditary Chiefs have not been recognized by the province of British Columbia in this instance, and have been ignored. The enforcement of the injunction forced the Hereditary Chiefs off their traditional lands which they have a lawful right to be on and govern. Therein lies the nub of the issue.

While established earlier, the legal rights of the Heredity Chiefs was confirmed in a 1997 Supreme Court of Canada decision in Delgamuukw-Gisday’way. This case recognized that the Wet’suwet’en band had the underlying title and rights to their traditional territories that predates Confederation. The Supreme Court of Canada held that the band held aboriginal title to the lands in question. The Delgamuukw case is important because it provides information about the definition and content of aboriginal title. The ruling also clarified the government’s duty to consult with indigenous peoples, which duty has been expanded since this decision.

A summary of the case prepared by the court in the headnote states: “Aboriginal title is sui generis, and so distinguished from other proprietary interests, and characterized by several dimensions. It is inalienable and cannot be transferred, sold or surrendered to anyone other than the Crown. Another dimension of aboriginal title is its sources: its recognition by the Royal Proclamation, 1763 and the relationship between the common law which recognizes occupation as proof of possession and systems of aboriginal law pre-existing assertion of British sovereignty. Finally, aboriginal title is held communally.”

Gunn and McIvor wrote that in the Delgamuukw ruling, “Ultimately, the Supreme Court refused to issue a declaration in favour of the Wet’suwet’en because of a technicality in the pleadings. The parties were left to either negotiate a resolution or begin a new trial.” The court called on Canada to negotiate the exact terms of this relationship between Canada and the Wet’suwet’en on a nation to nation basis. The court ruling indicated that treaty negotiations under section 35 of the Canadian Charter of Rights and Freedoms should serve as a solid foundation. Treaty negotiations have never taken place with the Wet’suwet’en band, and no consent for the pipeline to cross Wet’suwet’en traditional lands was obtained from its Hereditary Chiefs, which has created the present situation.

Some argue today that, with no Treaty in place, the Hereditary Chiefs have no rights over their traditional territory. However, this interpretation runs counter to recognized Aboriginal law.

RULE OF LAW

The concept of the rule of law indicates that every citizen is to be treated fairly and given equal protection under the law. In other words, no one is above the law. While the rule of law is an easy concept to state, it is a little more messy in its application. The rule of law is made up both of statute, convention and judge-made law. Most important, it includes indigenous law as part of Canadian law. In the case under consideration, Canadian law is that in un-
surrendered or unceded lands without agreement by Treaty. First Nations hold aboriginal right and title over their traditional territories. The Wet’suwet’en lands has never been ceded to the Crown, nor have Wet’suwet’en rights been extinguished by Treaty. While the Crown may hold interest in the land, it is still subject to aboriginal right and title, which allows First Nations to control activities on their land.

Many First Nations and commentators have taken the view that since the Wet’suwet’en lands are unceded lands, the Hereditary Chiefs should not have been removed by a civil injunction, and therefore restraint should be exercised in the enforcement of blockades in other locations. It appears that this is because of support for the Hereditary Chiefs who have arguably been treated unlawfully, which violates the concept of reconciliation, if not the rule of law.

The underlying cause of the protests addresses the issue of the Wet’suwet’en claim that they have not had any discussions on a nation to nation basis with respect to the land use in their traditional territories. There are clear statements of the Supreme Court of Canada in the Delgamuukw decision that require nation to nation consultation in addressing the present issue over the Coastal GasLink pipeline. As such, it is my view that Canada, rather than a province, is responsible for negotiating directly with the Hereditary Chiefs. It is not sufficient to simply say that a majority support the pipeline. The approval of the Hereditary Chiefs is needed for the Coastal GasLink pipeline to cross their traditional territory. It is part of Canada’s rule of law.

RECONCILIATION

Reconciliation was defined by the Truth and Reconciliation Commission as “about establishing and maintaining a mutually respectful relationship between aboriginal and non-aboriginal peoples in this country. In order for that to happen, there has to be awareness of the past, an acknowledgement of the harm that has been inflicted, atonement for the causes, and action to change behaviour.”

The challenge for the government of Canada is to show leadership on this issue. The rule of law requires a discussion with respect to nation to nation discussions about title to the lands. The rule of law requires that Canada recognize the inherent sovereignty of the Hereditary Chiefs of the Wet’suwet’en to act as stewards of their land and territory. “Under international and British law at the time of colonization, unless indigenous peoples were conquered or Treaties made with them, the indigenous interest in their land was to be respected by the law of the European colonizing nation,” historian and lawyer Bruce McIvor explained in the above noted article.

While the trigger point may be the situation in British Columbia, the larger issue is one of reconciliation and creating a meaningful dialogue on how to achieve that, correct past wrongs and recognize First Nations rights in a meaningful way. That is going to take time and serious effort. The problem has been neglected by successive governments over hundreds of years.

The impacts of the blockades are having a real impact on Canada and its economy, as well as its international reputation as a secure supplier of exports. We need to develop a dialogue and mechanism to move reconciliation forward in a meaningful way that does not have lasting impacts on the Canadian economy. In John Ralston Saul’s book, A Fair Country, Telling Truths about Canada the author holds that Canada is a Metis Nation “heavily influenced and shaped by aboriginal ideas: egalitarianism, a proper balance between individual and group, and a penchant for negotiation over violence are all aboriginal values that Canada absorbed." The author explains that Canada has had a long history of working with First Nations for over 400 years in various economic ventures in the founding of our country. We need to return to that historical and traditional cooperative approach that recognizes the rights of all parties and work together on economic issues. This will require the blockades to come down in a spirit of cooperation. The blockades have had their effect and brought a national focus to the issue of reconciliation. Reconciliation is hard work and affects all Canadians.

K. Joseph Spears is a retired maritime barrister and transportation consultant. He is a graduate of Dalhousie Law School. At Dalhousie, under contract to the Government of Canada, Joe and others, researched and prepared a major analysis of First Nations and public fishing rights in tidal waters for the Department of Fisheries and Oceans (Canada) under the supervision of Law Professor Bruce Wildsmith in 1984-85. Joe can be reached at joe.hbmg2@gmail.com

Now, about those blockades
BY THEO VAN DE KLETERSTEEG

As is evident from the adjoining article, it is incumbent on the federal government to take Reconciliation seriously by addressing indigenous land claims, and by addressing the numerous other outstanding indigenous grievances. Reconciliation has become a Trademark promise of the Trudeau government, along with action on other issues, such as the Environment. However, battling an ever-increasing Budget Deficit, it is not surprising that the federal government has been in no hurry to address these problems. Nevertheless, it should be evident from the popular support that the recent blockades have enjoyed that Reconciliation and Environmental response are important to Canadians. By promising more than he could deliver, Mr. Trudeau has put himself and his government in a bind.

It is obvious that the future costs of addressing indigenous grievances, environmental emissions reductions and environmental remediation, in addition to beefing up Canada’s commitments to NATO, and meeting other international obligations will cause considerable damage to an already fragile Budget. If, on top of that, we should be experiencing an economic recession during the next year or so, government revenues would fall while social spending would rise, causing even greater financial distress. As a consequence, the initiatives that have been introduced by the PM, and which have been embraced by the electorate, are likely to lead to increased financial stress. This time, indigenous peoples will not be satisfied with continued platitudes and empty promises — they will insist on real action. In addition, the government would be well advised to initiate real Environmental action, to avoid additional waves of protest (see article on page 66 for a proposed action plan).

It is at a time like this, when expectations of operating Canada within its financial means are becoming increasingly distant dreams, that we must consider how we can create a “business plan” that meets indigenous and environmental expectations, while not digging a financial grave for ourselves. First and foremost, regardless of whether or not the Hereditary Chiefs have the right to deny representatives of Coastal GasLink access to their territory, sympathizing protesters certainly do not have the right to block public roads and other transportation infrastructure in Canada. These blockades need to be removed as soon as possible, through any legal means necessary, to get the country moving again. Secondly, we need to think very carefully about rejecting resource development, which has been the mainstay of the country from well before Confederation.

For decades to come, we will continue to rely on agriculture, forestry, mining and energy industries to fund our education, health, care and social assistance programs, and it would be reckless to initiate action that would put those sources of national income at risk.

As a nation, most of us will have to put some water in our wine in order to make progress on the Reconciliation and Environment files. I believe that Canadians will not object to doing that, so long as they see tangible progress in meeting the objectives.
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The future is today: how Canada’s Port Authorities are evolving to boost trade and supply chain efficiency

BY: WENDY ZATYLNY

As a trading nation, Canada has much to offer the world, and our seventeen Canada Port Authorities (CPAs) are a key part of this. We are already highly-competitive and efficient players in a very dynamic global trading system. But this system is changing rapidly, and Canada Port Authorities are at the centre of a world that holds tremendous potential for economic growth, environmental sustainability and community investment for Canadians.

According to the United Nations Conference on Trade and Development, international seaborne trade is continuing to gather momentum, with global economic expansion driving world shipping demand. In fact, volumes across all segments are predicted to grow, with containerized (+6.4 per cent in 2017) and dry bulk (+5.1 per cent in 2017) cargoes projected to grow the fastest. Overall, global seaborne trade is expected to expand by 3.8 per cent into 2023.

Things are no different at home, where the volume of cargo handled at Canada’s ports continues to show record or near-record growth. What are CPAs doing to meet this demand? They are responding with major expansions and far-reaching transformation of their facilities.

Look no further than the recent projects funded by the National Trade Corridors Fund to get a sense of how CPAs are evolving to meet global economic expansion. Projects include the Nanaimo Port Authority’s new vehicle processing centre and the Hamilton-Oshawa Port Authority’s new warehouse for bulk storage, while the Prince Rupert Port Authority is expanding and developing new rail lines to connect terminals with a logistics park and the Quebec Port Authority is upgrading infrastructure to meet the needs of exporters.

This forward-looking, game-changing work means CPAs are providing key infrastructure for Canada’s national and international supply chain systems. The importance of positioning our export-dependent economy for the future cannot be overestimated. Canada’s 17 Port Authorities handled over 340 million tonnes of cargo in 2019, directly and indirectly employing more than 213,000 people, all while supporting local and regional economic development in communities from across this country.
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The new frontier in port efficiency

As ships get bigger, trains get longer and terminal managers call for more expansive and automated facilities, Port Authorities are adopting new technologies and more efficient operations as the keys to success.

The data revolution has transformed the way ports function, adding digital infrastructure to physical in the search for efficiency and fluidity. Ports now play a key role in the logistics of trade, maximizing coordination across marine, road and rail suppliers, carriers, and operators.

Consider that each piece of cargo has a package of data attached to it — details about its contents, owner, customer, destination, and how it will get there. It is crucial for this data to flow easily through the system in tandem with the cargo itself – optimum fluidity comes when the data is accessible in a way that allows for real-time decision-making to optimize its transit. The result: faster delivery, lower costs and – importantly – reduced environmental impact from emissions.

The Port of Vancouver, for example, is using GPS-tracked trucks and data from rail track readers to predict bottlenecks and upgrade operations – which also reduces truck idling time. The Port of Montreal uses Optical Character Recognition (OCR) to automate the processing and validation of truck and container data, also reducing idling time and increasing the throughput of truck passages per hour. Other ports are part of a digital global platform developed by Maersk and IBM intended to enhance productivity, reduce paperwork, cut expenses, and accelerate shipping. Analytics are also being used to make the journey to and from port facilities more efficient, predicting truck turn and dwell times and enhancing rail connections.

As this exciting evolution continues, CPAs are eager to work with government, business and other stakeholders to develop a consistent national approach to data sharing. The effort is well worth it. As the World Bank notes, “logistics performance is key to economic growth and competitiveness.”

Multimodal industrial hubs

But data is not the only frontier of change. In this era of disruption around the globe, modern Canadian ports have also reinvented themselves as multimodal industrial hubs acting as linchpins for the world economy.

By linking sea, lake, road, and rail transport facilities, ports are transforming into high-tech centres enabling frictionless trade, supporting customers and maximizing the efficient and effective movement of cargo. That includes not only managing logistics and data, but also engaging in other activities, such as converting materials to higher-value import and export products.

We are just scratching the surface of what is possible when it comes to new technologies. From Artificial Intelligence and equipment automation, to autonomous ships and vehicles, to alternative energy applications, port operations are set to become even more sophisticated and efficient in the years to come.

Doing our part to fight climate change

As the Canadian government seeks to expand and diversify trade, so too will the volumes of cargo moving through the heart of our communities. Port Authorities are already hard at work making their lands more accessible and mitigating the impacts of their activities on the environment, engaging extensively with local residents in the process.

Many ports are slashing their carbon and other emissions by using electric vehicles and installing energy-efficient LED lighting. For instance, in Vancouver, Prince Rupert, Halifax, and Quebec City, vessels are now permitted to plug into shore-based power so they can turn their engines off, reducing the amount of idling on the coastline. Shipping lines are also doing their part, converting to alternative fuels and using passive solar energy.

Canada Port Authorities are already among the world’s cleanest and efficient in the world, and we are ready to do more. The key to the future is to strike the right balance between enabling the incredible growth of the industry, job creation and innovation, and protecting our precious marine communities for generations to come. We are eager to play our part in making this happen.

(Wendy Zatlyn is President of the Association of Canadian Port Authorities)
Where is the federal port modernization review headed?

BY ALEX BINKLEY

### HISTORICAL ACPA PORT TONNAGES

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More than a year has passed since Transport Canada closed its public consultation on the future of the 17 Port Authorities across the country, but no one has any inkling of what the next step might be. The last item in the November 2019 mandate letter from Prime Minister Justin Trudeau to Transport Minister Marc Garneau instructs him to “complete the Ports Modernization Review with an aim to update governance structures that promote investment in Canadian ports.”

Back in 2018, Transport Canada called for submissions from the ports, their users and other interested groups. The submissions closed in December, 2018. The consultation documents noted the Authorities are supposed to be financially self-sufficient companies that support economic development while following sound and accountable business practices.

More than 80 organizations filed briefs with the Department on many port topics outside of how they should be

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operated and governed. The Shipping Federation of Canada said ports need the flexibility to operate as commercial entities while remaining accountable to the government for their activities and operations. That principle “continues to represent the optimal means of ensuring that CPAs serve the needs of the Canadian economy in the most efficient manner possible.

“This being said, it is also our view that the current governance structure should be part of a broader national transportation policy that considers ports from a trade corridor perspective and views them as essential elements that contribute to that corridor’s ability to efficiently channel trade to and from domestic and international markets. Such a policy would provide a much-needed framework for guiding infrastructure and investment decisions related to future port development in a manner which ensures that the larger national interest is appropriately factored into all such decisions, and for assessing the roles that the various elements of any trade corridor play relative to one another, whether as partners or competitors.”

Mary Brooks, Professor Emerita at the Rowe School of Business at Dalhousie University, and long-time commentator on ports and marine issues, said, “Canada doesn’t have the population to justify 17 Port Authorities. “There is not adequate evidence to conclude that privatization is better, or will meet the government’s objectives. The Port Modernization Review should lead to greater clarity of port purpose, less political control through Board appointments, and better reporting standards for the citizens of Canada.”

The Western Grain Elevator Association also opposed privatization of the ports. Executive Director Wade Sobkovich said privatization would change the focus of ports from facilitating the flows of goods to maximizing shareholder returns.

Running ports on a cost recovery basis isn’t the answer either, he said.
Rather than acting in the best interest of Canadians, a cost recovery business operates “in a way that generates the most revenue for itself.”

The Forest Products Association of Canada said port usage fees increased more than 5 per cent a year during the first 15 years of the Authorities, and along with pilotage and Seaway fees, are among the reasons Canadian ports aren’t competitive with American ones.

It called for the Authorities to be run on a not-for-profit basis as Nav Canada is, which would reduce “the cost of international trade for all of Canada’s exporters.”

Jim Quinn, the current Chair of the Association of Canadian Port Authorities (ACPA) and President and CEO of Port of Saint John, said the ports are waiting to hear from the Department on what the next step will be.

The 2016 review of the Canada Transportation Act, headed by former cabinet David Emerson, called for changes in the structure of the Port Authorities. In an appearance before the Senate transport committee in April, 2017, he called for a thorough review of the governance arrangements for Port Authorities. “I think there is inadequate governance in relation to deployment of capital, there’s inadequate governance when it comes to making sure that there is a recourse to a regulator where there is abuse of monopoly power … frankly I wouldn’t give them any more access to money until you clean that up.” The current system provides “no clear guidance against abusive pricing power or limiting preferential arrangements with tenants that may undermine the common user principles that are so critical to well-run public facilities,” he said. A dissatisfied port user can’t complain to the Canada Transport Agency as it could over rail or air service and “because the agency is not empowered to deal with it, and appealing to the minister is generally not practical.”

As part of the public consultation, Transport Canada said it wanted ideas on “optimizing governance and accountability, including with respect to financial management.”
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YOU’LL NOTICE THE DIFFERENCE
West coast ports pursue major expansion projects

BY KEITH NORBURY

Port of Nanaimo is all set to embark on a long-awaited $100 million expansion and upgrade of its Duke Point terminal. The port, on Vancouver Island’s east coast about 110 kilometres north of the B.C. capital of Victoria, is receiving $46.2 million from the federal government’s National Trade Corridor Fund — which was announced in July. The port and DP World will kick in the remainder, said Ian Marr, Nanaimo Port Authority’s Chief Executive.

“I would think we’d hopefully get started this year,” Mr. Marr said in a recent interview. Much depends on the permitting processes that the project will have to go through, he said. “Hopefully they’ll be short and we are anticipating starting in the fall, actually. But, you know, that could be the spring. You never know,” Mr. Marr said. In any event, he expects the work to be completed by 2023.

The Nanaimo project is one of the more significant ones expected to happen at B.C. ports in the coming year. Port of Prince Rupert was scheduled to begin construction on a two-phase expansion that would increase capacity at the Fairview Container Terminal to 1.8 million TEUs by 2022. Prince Rupert also received National Trade Corridor Funds grants totalling $153.7 million last year for three other projects with a combined value of $300 million that will be built over the next few years.

North of Prince Rupert, Stewart World Port is importing such cargoes as pipe for the Coastal GasLink natural gas pipeline, and cement for mines in the Golden Triangle. The port also has plans for a shortline railway to enable export of grain and potash.

Port Alberni, on Vancouver Island’s west coast, is looking for $40 million from the federal or provincial governments to help bankroll a floating drydock.

And Vancouver, Canada’s largest port, is forging ahead with a plan to build a container terminal on Roberts Bank despite opposition from environmentalists and an existing container terminal operator that has its vision for the future.

Duke Point to expand wharf

At Nanaimo, the improvements to the Duke Point Terminal will include expanding the existing wharf to 325 metres from 182 metres. Replacing an existing crane with two 24-metre cranes, building a new general cargo warehouse and a new administration and maintenance building are other parts of the project — as is increasing the storage area of the terminal. Upgrades to water, sewage, drainage, electrical and security systems will also form part of the project. During construction, the project will create 900 jobs, in addition to new jobs at the expanded terminal.

“With our location and the high volumes of cargo moving into and out of Vancouver and Vancouver Island, we are ideally situated to become the primary point of entry and exit for trans-shipment of goods for Vancouver Island,” Mr. Marr said in July when the project funding was announced. The announcement of the federal funding fulfills a vision of former port CEO Bernie Dumas, who told Canadian Sailings in 2016 that the port was looking for federal money to help bankroll a $50 million to $70 million expansion at Duke Point.

“You try to set out your game plan so that it’s going to continue on, no matter who’s here,” Mr. Marr said, crediting the Port’s Board of Directors with doing a good job. “It’s not always instantaneous, obviously, but it’s good when you start to make steps towards your goal,” Mr. Marr added.

Cargo volumes, both imports and exports, dropped last year at Nanaimo, to 4.65 million tonnes in 2019 from 5.31 million tonnes in 2018 — a 12.4 per cent decrease in total. That was due mostly to problems in the Island’s forestry industry, which has not only been in a slump, but was hit by a long strike that has carried into 2020. “That obviously has had an effect on our cargo shipping out,” Mr. Marr said. (The strike, which started on July 1, was tentatively settled on February 11, to the relief of all stakeholders).
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Prince Rupert sets cargo record

Prince Rupert handled a record 29.89 million tonnes of cargo in 2019. That was 12 per cent more than the 26.73 million tonnes handled in 2018. “The Port’s consistent record-breaking annual volumes confirm the Port’s growing role in Canadian trade,” Shaun Stevenson, President and CEO of the Port Authority, said in a news release announcing the 2019 figures.

Volumes at DP World’s Fairview Container Terminal tallied 1.21 million TEUs, an increase of 17 per cent over 2018. Container imports increased 19 per cent, to 678,970 TEUs in 2019 from 569,0970 TEUs in 2018. But container exports also rose significantly, by 14 per cent, and in substantial numbers — to 531,868 TEUs in 2019 from 466,938 TEUs in 2018.

Also of note from the Port’s 2019 traffic summary were the following: a 46 per cent increase in thermal coal shipments from Ridley Terminal, which was offset by a three per cent drop in metallurgical coal volumes; a 28 per cent decrease in log exports from the harbour; a three per cent increase in wheat shipments along with a 17 per cent drop in canola from the Prince Rupert Grain Terminal; and a nine per cent decrease in wood pellet shipments.

Cruise ship passenger numbers at Northland Cruise Terminal also increased 35 per cent to 12,400 visitors, the port reported. The AltaGas Ridley Island Propane Export Terminal also began operation. It is expected to ship about 1.2 million tonnes of propane to Asia each year.

Rupert plans $2 billion in capital projects

As Canadian Sailings reported in November, Prince Rupert recently received $153.7 million from the National Trade Corridor Fund to help finance three major projects worth a combined $300 million. Those grants will go toward a $122 million upgrading and double tracking of

Forest products volumes were down to 1.7 million tonnes in 2019 compared with 2.1 million tonnes in 2018 — although the 2019 figure was higher than the number for any year from 2010 to 2017. Container volumes also dropped for the first time since the Duke Point container barge terminal began operation in 2012. The 2019 decline — to 347,184 tonnes from 534,768 — was also largely attributed to the slump in forest products, which is one of the port’s main container categories.

Vehicle processing centre in operation

Last year, Nanaimo opened its new B.C. Vehicle Processing Centre, a $19 million venture that received $6.3 million from the National Trade Corridor Fund. The Port partnered with Western Stevedoring and the auto division of Seattle-based SSA Marine, Western’s parent company, to design, build, finance, and operate the facility. “We’re just trying to diversify and make sure we’re fitting into the national supply chain and servicing the Island and further afield. And I think we’re achieving those goals,” Mr. Marr said.

Since Tranquil Ace — a pure car and truck carrier, or PCTC, of Tokyo-based Mitsui O.S.K. Lines — dropped off the first shipment of 400 luxury cars from Europe in March 2019, one or two PCTCs have unloaded every month. Mr. Marr declined to give specific figures, saying it’s not something the Processing Centre wants to broadcast. But he did say it is meeting everyone’s expectations. “It’s nice to have the Centre here to assist with some of our numbers and volumes and diversify, which is always something we’ve tried to do,” Mr. Marr said.

In October, the Port signed a protocol agreement with the City of Nanaimo. Mr. Marr said the agreement allows the city and the port to coordinate activities and think of the other when making decisions. “We’re looking to do the same with our regional district and our First Nations partners as well,” Mr. Marr said.

The Port’s cruise ship business was slow last year, with only three ships calling at Nanaimo despite having a $24 million cruise ship terminal that opened in May 2011 near the Assembly Wharf. “I think we’ve got seven this year at this point,” Mr. Marr said, adding that the port is trying a new strategy, which includes having discussions with the cruise lines about taking their customers to non-traditional places. “But, as you know, the cruise industry plans ahead two years so you may get successes now and you won’t see anything for a couple years,” he said.
Zanardi Bridge and Causeway; $100 million in service improvements to the Ridley Island Export Logistics Platform project; and development of the $89 million Metlakatla Import Logistics Park project. In total, Prince Rupert plans $2 billion in capital projects, starting this year. In addition to the aforementioned, the projects include expansion of the container terminal to 1.8 million TEUs capacity by 2022; Royal Vopak’s liquid bulk terminal, which would export up to 10 million tons of propane, butane and other fuels each year; and Pembina’s Prince Rupert Export Terminal, which is expected to begin operation in late 2020. “The 2019 volumes illustrate the growing market demand for the Prince Rupert gateway and further validates our plans for growth and expansion over the next several years,” Mr. Stevenson said in announcing the 2019 cargo volumes.

Stewart port serves Golden Triangle

Privately-owned Stewart World Port, at the head of the Portland Canal about 125 nautical miles north of Prince Rupert, has been handling breakbulk and project cargo since February 2016 when AAL Newcastle was the first ship to discharge cargo at the new facility.

Brad Pettit, the Port’s President, didn’t have 2019 cargo figures at hand but he said that last year the port handled oilfield modules, pipe for the Coastal Gaslink natural gas pipeline, and bulk cement from Lafarge in Seattle for nearby mines in what is known as the Golden Triangle. “They’re bringing it up by barge and they blow it off into a storage facility,” Mr. Pettit said. “And we load out trucks with cement powder daily, to go up to the mines, to service the mining industry.”

So far the port has spent $75 million on the terminal, in two stages, with more work to come.

“Ultimately we’d like to load out bulk products — mineral concentrate, wood products of all sorts, and things like that,” Mr. Pettit said. “So we have a belting system and a ship-loading system at stage 3 and we plan on having that in service in 2022.”

While that ship-loading system is already engineered and designed, the Port needs a long-term contract with one of the mines or another entity before beginning construction. Mr. Pettit expects that to happen in late 2020 or 2021.

So far, the port has handled vessels up to Handymax size. But its dock, which is 630 feet long and 60 feet wide, can accommodate ships up to Panamax size. All it needs are some minor adjustments such as a mooring dolphin. “But that’s pretty easy to do. It’s all engineered as well,” Mr. Pettit said.

The port, about a kilometre from Hyder on the Alaska Panhandle, also hopes to build a shortline railway to connect with the Canadian National mainline 220 kilometres to the south. That would enable Stewart to export commodities such as grain and potash as well as import phosphate fertilizer. The port is also exploring handling more project cargo for wind energy projects in Alberta.

“We could definitely handle more cargo,” Mr. Pettit said. “We get nice projects and then when that project finishes it doesn’t continue on. That long-term cement contract comes up every day for years. That’s the type of thing we’d like to backstop more of.”

He also sees a golden opportunity for moving more project cargo into the Golden Triangle. “It’s one of the most undeveloped mineral areas in the world,” he said. “There are lots of mines proposed for that area.”

Port Alberni seeks drydock funding

At Port Alberni, on the west side of Vancouver Island, the Port Authority is looking for $40 million from the federal or B.C. government for a floating drydock that would enable ship repair and ship building. The facility would create about 400 jobs in the region, “which is an amazing opportunity for a community like ours,” said Zoran Knezevic, CEO of Port Alberni Port Authority. The drydock would also create more frequent ship visits, he added. Among those would be ferries from the B.C. Ferry Corporation fleet. “A floating drydock would actually be able to service all the ferry fleet and anything in between — from small tugs to the largest ferries that they have,” Mr. Knezevic said.

David McCormick, the Port Authority’s Director of Public Relations
and Business Development, said the Port’s partner on the project is Canadian Maritime Engineering. Along with the City of Port Alberni and the provincial government, Canadian Maritime Engineering helped pay for a market viability study in 2018, Mr. McCormick. That study “shows the clear and present opportunity and need for additional shipbuilding repair facilities on the coast,” he said.

In the meantime, the Port granted the owners of Port Fish ice plant $500,000 to upgrade the facility so it can resume fish processing. That sowed the seeds for another $1 million in funding for developing a food hub. That money came from private investors and the Island Coastal Economic Development Trust (ICET).

The Port is negotiating lease agreements with five different parties and expects that within six months, the facility will begin processing oysters, fin fish, seaweed, and mushrooms. (The Port earlier received $3.1 million from ICET toward $8 million in improvements to the port’s Fishermen’s Harbour that included installation of two breakwaters.)

Water bottling plant in works

The Port has also leased warehouse space to a local First Nation, the Uchucklesaht Tribe, for a plant to bottle artesian spring water. Mr. Knezevic envisions the plant bottling enough water that “one day we may have a container ship stop by and use our facilities to carry the cargo from here.”

Dreams of a $2 billion container ship transshipment hub near Port Alberni also remain alive despite the Port Authority so far failing to attract interest from the National Trade Corridor Fund. “We are pushing forward as much as possible,” Mr. Knezevic said. “It is a tall order and a big project. However it is being recognized more and more within the industry as a potential for the (Pacific) gateway.”

While the port also handles frozen fish from factory vessels, its major cargo is still log exports. They increased to 650,000 cubic metres in 2019 from 619,000 cubic metres in 2018. The Port is also working on expanding its cruise ship trade from the three vessels it welcomed in 2019.

Vancouver expanding its terminals

As one might expect, the Port of Vancouver, the largest port in B.C. and Canada, is working on some huge projects. Not the least of them is the multi-billion dollars Terminal 2 container project at Roberts Bank. (See article on page 45).

Work began in June on an expansion of DP World’s Centerm container terminal and the related South Shore Access Project. The combined budget for the projects is estimated at $450 million, said Danielle Jang, the Port’s media relations advisor. Those projects include expanding and reconfiguring the terminal, constructing a new overpass for Centennial Road, and connecting Waterfront Road to Centennial Road.
“to create a continuous port road along the south shore of Burrard Inlet,” Ms. Jang said by email.

In addition to improving travel time on the inlet’s south shore, the projects will increase container throughput capacity by 60 per cent, she added. “In 2020, reclamation work continues in the water and around the terminal on the Centerm Expansion Project,” Ms. Jang said. “This includes dredging and infilling to create new land for the terminal between Burrard Dock and Ballantyne pier and on the west end of the terminal, relocation of reefer towers, demolition of Ballantyne pier, as well as building the new Container Operations Facility building. On the South Shore Access Project, construction of the Centennial Road overpass will begin in 2020.”

The project also provides $2 million in community benefits, including a $500,000 Centerm Community Fund to support efforts of organizations in Vancouver’s impoverished Downtown Eastside.

Projects expected to start by fall

Port of Vancouver also expects to begin construction as early as fall 2020 on two of three projects that, along with two programs, will receive $100 million in National Trade Corridor funds announced last July. The Portside/Blundell Road Improvements Project — on port lands along the Fraser River in Richmond — includes an overpass to eliminate an at-grade Canadian National Railway crossing, widening a section of Blundell Road to four lanes, and a new bridge over the No. 7 canal to access a new development area. “The project will help mitigate traffic congestion, alleviate rail crossing delays, improve container movements to and from warehouse facilities, support future development, provide better access for public safety and emergency vehicles, and allow for new CN rail tracks to better serve the surrounding industrial area,” Ms. Jang said.

Fraser Surrey Port Lands Transportation Improvements — on port lands near Fraser Surrey Docks — involves realigning the Robson Road – Timberland Road corridor, and implementing new Vehicle Access Control System gates. “It will help mitigate traffic congestion, create a new staging area for trucks, and improve container truck movements to and from terminals,” Ms. Jang said. The Port will begin engaging with stakeholders on both projects this spring.

New owner for Fraser Surrey Docks

Dubai-based DP World an-
nounced in May that its Canadian subsidiary, which is owned 45 per cent by Caisse de dépôt et placement du Québec, had acquired Fraser Surrey Docks from Macquarie Infrastructure Partners. “We are seeing increasing demand from our customers for multi-purpose facilities in the region and we believe Fraser Surrey Docks has the relevant infrastructure and is in the right location to service this demand,” Sultan Ahmed Bin Sulayem, DP World’s Group Chairman and CEO, said in a news release announcing the acquisition.

In September, the Port announced it approved a permit application to upgrade and expand the Westridge Marine Terminal, which is the terminus of the Trans Mountain Pipeline. A new dock will enable the facility to load up to three Aframax tankers compared with one at present.

More than one million passengers on 288 cruise ships visited the port in 2019. That was a 22 per cent increase in passengers over 2018.

Cargo stats show slight slump
Complete port statistics for 2019 weren’t available at press time. However, figures show container traffic fell a sliver, by 0.1 per cent, to 3,398,860 TEUs in 2019 from 3,396,449 TEUs in 2018. The drop was because of a 2.3 per cent decline in container imports to 1,740,869 TEUs. Exports increased 2.5 per cent to 1,657,992 TEUs.

For the first 11 months of 2019, total tonnage of all non-containerized cargo at the port was down 3.0 per cent, to 107.2 million tonnes, compared with the same period in 2018. Petroleum products (35.6 per cent), forest products (5.9 per cent), and coal (4.4 per cent) were among the commodities that declined in volumes year over year.

Canadian Sailings also contacted representatives of Squamish Terminals and Pacific Coast Terminals but wasn’t able to receive updates by deadline.

Squamish Terminals is outside of the port of Vancouver on Howe Sound 32 nautical miles to the north. Western Stevedoring Company Limited acquired 100 per cent of Squamish Terminals from Grieg Star AG in May 2018.

Pacific Coast Terminals, which is within the port of Vancouver, celebrated its 90th anniversary in 2019 and in 2020 is making 60 years at its present location at Port Moody. Owned by Sultran Ltd. since the 1980s, PCT now specializes in bulks exports such as sulphur, potash, and ethylene glycol.
A record year for the port of Toronto in 2019 and strong performances by the other Ontario ports on the Great Lakes were matched by a strong showing by some of their American counterparts.

The Port Authorities in Hamilton and Oshawa were merged into Hamilton Oshawa Port Authority during the year and together handled more than 10.5 million tonnes. Oshawa had one of its best ever results contributing 575,000 tonnes to the total. Hamilton’s results last year were down slightly from 2018 due to the disrupted growing season in Southwestern Ontario.

“The amalgamation has been very successful, helping demonstrate that it makes sense for the marine sector to have a more prominent presence and voice in the region,” said Ian Hamilton, President & CEO of HOPA Ports. “We can attract more investment, and make bigger infrastructure improvements. “We are also starting to look at new ideas to improve Ontario’s modal balance, helping reduce highway congestion and the greenhouse gases associated with transportation, by making better use of the more environmentally-friendly marine option.” Hamilton said the results were consistent with those of the Seaway generally, lower relative to 2018’s banner year, but showing overall strength and a positive five-year trend. “We can do very little to influence international trade wars, and we can do even less about the weather. What we can do is make sure our ports are investing in trade-enabling infrastructure and expanding their capacity to handle more cargo.” Several major infrastructure projects were underway or completed at HOPA’s two port facilities in 2019, aimed at growing port capacity and improving efficiency.

In Oshawa, a new, $6 million grain terminal constructed by Sollio Agriculture and QSL opened to serve the growing grain production in Eastern Ontario. In Hamilton, work continued on the $35 million Westport redevelopment project, with new dock walls, rail connections, and warehousing capacity. HOPA also announced a $16 million redevelopment of the Pier 10 area into a food cluster, with new infrastructure to support grain handling, flour milling and sugar refining.

Traffic through the Port of Thunder Bay ran about 10 per cent higher than in 2018 and finished at 9.3 million tonnes. The figure might have been even better but for wet weather across the Prairies, which delayed the fall grain harvest. Shipments of coal and potash were strong and higher overseas canola shipments to international ports helped boost the figures. At just under half a million metric tonnes, direct exports of canola from Thunder Bay by foreign-flagged vessels are at an all-time high. The bulk of the canola exported from Thunder Bay is grown in Manitoba.

Tonnage at Port of Windsor dipped to 4.8 million tonnes from 5.1 million tonnes in 2018. President Steve Salmons said a late grain crop in Southwestern Ontario meant there wasn’t the usual quantity of product available for movement. As well, changes in U.S. steel import rules cut into the port’s transshipment business, he said. Across the river from Detroit, the port handles aggregates, salt, grain, lumber, steel, petroleum, vehicles and heavy lift equipment.

It was a record year for Port of Toronto which moved 2.3 million tonnes of cargo in 2019, marking the highest recorded cargo levels in 15 years. In addition to supplies for the busy construction industry, the port recorded the highest salt cargo levels in nearly 15 years while sugar imports from Central and South America remained consistent with 2018 levels. In addition, the port saw steel products such as rebar, steel coils, steel plate, beam and mesh totalling more than 44,000 tonnes and recorded approximately 14,000 tonnes in warehousing storage.

“From supplying salt for our roads, sugar for our food and beverage sector and essential supplies such as cement and steel to support the Greater Toronto Area’s booming construction industry, the goods delivered through the port of Toronto are part of an important supply chain that supports Canada’s largest city,” said Geoffrey Wilson, CEO of PortsToronto. “In 2020 and
beyond, the Port will continue to provide Canadian and international businesses with a convenient, sustainable and cost-effective way to bring goods, and people, into the heart of the city.”

Port of Johnstown processed 1.3 million tonnes of freight during 2019, its second-best year since being taken over by the Township of Edwardsburgh/Cardinal in 2001 and earned a profit of $3.5 million. Since the takeover, traffic has increased by more than 47 per cent and continues to move in a positive direction. Vessel deliveries of salt and project cargoes accounted for 69 per cent of the tonnage arriving in the port last year and truck deliveries the rest. In recent years, the port has expanded its cargo docks and developed additional laydown areas for freight.

In Port Colborne at the western end of the Welland Canal, Mayor Bill Steele is working with local partners Rankin Construction and Snider Dock Services and the federal government and The St. Lawrence Seaway Management Corp. to develop a plan for a marine trade corridor along the waterway that would enable the city to use its highway and rail connections and proximity to the United States to generate more marine business for its facilities.

While many U.S. ports haven’t released final figures for the 2019, the ones that are available appear to mirror the results on the Canadian side.

Port of Duluth-Superior had its third highest throughout since 2015 handling more than 30.4 million tonnes. Led by general cargo, four of the port’s six cargo categories notched season-over-season tonnage gains with wind energy cargo arrivals pacing the surge. Inbound salt also had a strong showing. Iron ore, despite declining from a 23-season high in 2018, remained the port’s top tonnage cargo in 2019, totalling 17.9 tonnes and exceeding the five-season average by more than 12 per cent. The Port learned in February that it would receive a US$10.5 million grant from the Department of Transportation’s Maritime Administration to help fund construction of a 56,000-square-foot, rail-served warehouse at the Clure Public Marine Terminal, along with rehabilitation of deteriorating dock walls on the Clure Terminal. The project will also protect seven acres of laydown space for inbound and outbound heavy-lift cargo.

Port of Toledo said its final 2019 numbers should surpass 8 million tonnes making it a solid year despite a hefty drop in grain shipments because served the port couldn’t plant their crops.

Port of Cleveland handled about 2.1 million tonnes last year, up 9 per cent over 2018 thanks to an increase in business from Canada, while cargo from Europe decreased by 25 per cent, in part because of tariffs imposed by the U.S. government, said Jade Davis, the Port’s Vice-President of External Affairs. The port has received a lot of Canadian barge traffic, especially of pipes and flat-rolled steel for steel plants. The port and terminal operator LOGISTEC have shifted focus to new cargo from Canada.

Port of Green Bay also handled about 2.1 million tonnes of freight, up 8 per cent over 2018 and its highest tonnage since 2006.

Port of Milwaukee made the news for suffering millions of dollars in flood damage during a major January wind story. The Port plans to ask for state and federal assistance for financial aid in repairing its facilities.
Year-end review of St. Lawrence River ports

BY BRIAN DUNN

Montreal

The port of Montreal reached an historic milestone in 2019 by surpassing the 40 million tonnes mark. The actual figure of 40.5 million tonnes was up 4.1 per cent from 2018 and marks the sixth consecutive year total tonnage has surpassed the previous year. The 1.75 million TEUs handled was also a record, an increase of 4.4 per cent from the previous year. Container traffic is expected to increase another three per cent this year, according to Tony Boemi, Montreal Port Authority Vice-President, Growth and Development. The strength of the container business was helped by a seven per cent increase in container activity between 2018-2019 in the U.S. Midwest, he added.

Last year was also highlighted by solid results on the bulk front. The dry bulk sector had a 15 per cent increase in tonnage with a total of 9.3 million tonnes, with grain up 109 per cent, while Liquid bulk remained stable at 16.2 million tonnes. The grain increase was an anomaly due to a nine-month lockout of operators the previous year at Viterra, one of the main grain marketers at the port, and compares the 12 month results last year versus three months in 2018.

While the Canada-European Union Comprehensive Economic and Trade Agreement (CETA) has boosted port business by about three per cent, the lack of a new NAFTA Agreement (USMCA) concerned some shippers enough that they looked overseas for new markets, said Mr. Boemi. USMCA was signed into law by the Trump Administration on January 29, leaving Canada as the only country that has yet to ratify the new Treaty.

The port has earmarked $37 million, including $18.5 million from the federal government, to improve cargo mobility and increase the port’s capacity by reducing wait times and bottlenecks for container traffic which will also reduce greenhouse gas emissions from trucks. The main component is the construction of a railway bridge at the Cast Terminal where trucks exit the port, to eliminate traffic conflicts between trains and vehicles. That would be at the area located beside the Cast Terminal and the common truck portal. The truck portal is on the north side of the tracks and unless you are accessing the Cast terminal, you would need to cross over the tracks to access the Racine and Termont terminals,” explained Mr. Boemi. “The issue here is that during a train crossing and considering the length of the trains today, it would create a backlog of trucks trying to access the container terminals. This is essentially a bypass.”

Another component is the development of solutions with port partners to modulate the influx of trucks at entry points based on the optimized services offered by the terminals. Lastly, the development in collaboration with the City of Montreal of an intelligent transportation system for port trucking to gain a better understanding of the origins and destinations of trucks outside the port territory, is a third part of the project.

In addition to expanding capacity at its Viau Terminal from 350,000 TEUs to 600,000 TEUs, the Port is hoping to have its environmental permits approved by July to start construction of its new container terminal in Contrecoeur, 25 miles downriver from Montreal. The first phase of the $750 million project is expected to be completed by late 2023 or early 2024.
Canada Infrastructure Bank has committed $300 million in financing.

The terminal will boost the port’s capacity from 2.1 million TEUs to 3.5 million TEUs. “The first phase will have a capacity of 1.15 million TEUs. Originally, we were going to build it in increments of 500,000 TEUs, but when we looked at the numbers, it made more sense to build it all at once,” explained Mr. Boemi. “We won’t need it all initially, because of the expansion of Viau.” The port’s two main terminal operators, MGT and Termont (part of Logis-tec) have been holding discussions on a possible joint venture, noted Mr. Boemi.

Business at Termont Montreal was down slightly last year compared to 2018, according to Termont General Manager Julien Dubreuil. He said growth was slower than expected, but nothing dramatic. Termont’s agriculture business which usually peaks in September, was a bit off.

On the plus side, a labour shortage facing the industry in 2018 was resolved last year with the addition of 200 longshoremen by the Maritime Employees Association. In September, the Quebec government announced it was providing $1.4 million to Termont for the conversion of its fleet of 57 terminal tractors into diesel-electric vehicles using automatic stop-start technology from Effenco Development of Montreal.

Work to expand capacity at the Viau Terminal which Termont operates will continue this year and is expected to be completed by the end of 2020, said Mr. Dubreuil. It will add 250,000 TEUs of capacity, bringing total capacity up to 600,000 TEUs. Termont is investing $30 million in the final phase of the project that will enable the development and growth of services for shipper MSC which accounts for most of Termont’s business.

Termont hasn’t seen any major impact from CETA that went into effect in September, 2017, said Mr. Dubreuil. “I think it will be more of a progressive impact as shippers get used to the agreement. We do expect to see some growth this year from some customers who are servicing new markets directly.”

It has been an up and down year for Empire Stevedoring, with some projects finished and others coming on stream, according to company President and CEO Andrew Chodos. “Imports of steel and breakbulk were down last year now that the Champlain Bridge is finished, but we expect to deliver some project cargo for the new REM (Réseau Express Métropolitain, Montreal’s new light rail network.). The market is pretty resilient for steel products going through the port. We saw an increase in steel rails
from Europe.” Empire handled about 800,000 tonnes of bulk cargo last year, down from one million tonnes in 2018, primarily due to a decline in potash exports. General cargo dropped from 800,000 to around 700,000 tonnes, which Mr. Chodos blamed on U.S. tariffs on steel and aluminum. It also handled around 125,000 TEUs. The company handled more grain exports through its east coast operations along with bulk and steel through Halifax. “Our project cargo business is small with some wind (turbine) business coming into Montreal. There is more wind business in Halifax due to a large project off the east coast of the U.S. which is bringing in product from Halifax.” Empire’s business continues to be solid with Oceanex which operates a twice-weekly service between Montreal and St. John’s where it shipped over 20,000 vehicles and RoRo products last year.

As part of a five-year, $120 million modernization project, Montreal Port Authority is upgrading Empire’s Bickerdike Terminal at an estimated cost of $25 million. The upgrade includes redeveloping truck access, increasing and improving electrical capacity and redeveloping container and cargo storage areas, primarily for Oceanex. Work began in the fourth quarter of 2019 and scheduled to be completed at the end of this year.

Mr. Chodos was asked to comment on Sylvie Vachon, who recently announced her retirement as President and CEO of Montreal Port Authority. “She was a very competent manager, not like a bull in a china shop type. She did a lot of good things to promote the Port and improve its operations, like the addition of Contrecoeur (container terminal) and expansion of the Viau terminal.”

Port of Trois-Rivières

A year after the unveiling of the “On Course for 2030” development plan, Port of Trois-Rivières has already implemented several initiatives aimed at “being an innovative urban port, generating growth, at the heart of a competitive supply chain.” Last year, the port handled a record 4.2 million tonnes of cargo, versus 3.9 million tonnes handled in 2018. Solid bulk increased to 3.6 million from 3.2 million tonnes, while liquid bulk remained stable at 300,000 tonnes, roughly the same average for the past five years. General cargo also came in at 300,000 tonnes, a 36 per cent increase over the last five-year average. A total of 260 vessels docked at the port, including 25 cruise ships.

Gaétan Boivin, President and CEO, emphasizes that “one of the On Course for 2030 development focuses was on the conclusion of partnership agreements with other ports with complementary activities. In addition to making our Port more attractive, this approach multiplies

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business opportunities."

Last year, the Port signed agreements with Port of Montreal and Port of Mulhouse-Rhin in Eastern France to improve port services. Mr. Boivin doesn’t consider Montreal a competitor and believes the agreement is not a threat to his operations. "The ports along the St. Lawrence complement each other as they offer different services. For example, Trois-Rivières and Quebec are mainly dry bulk ports, while Montreal is mostly containers. But we have a lot in common and face the same challenges such as water levels between Quebec and Montreal and environmental issues. We also want to streamline the different regulations. The goal of the agreement is to share client experiences to improve services along with productivity, efficiency and security."

The start of construction of the new 100,000 square metre Terminal 21 will depend on lining up financing and an environmental impact study, which should be completed by 2021, according to Mr. Boivin. The projected completion date of the terminal is 2023-24. Terminal 21 will be a versatile structure that will provide the necessary flexibility to redistribute goods from multiple shippers quickly and efficiently through a multimodal distribution centre, he explained. Computerization, automation and integration of artificial intelligence will make it possible to minimize the cost of handling, loading and unloading operations, both for general goods and for bulk cargo. The port will also aim for carbon neutrality in its port and logistics activities.

In addition to Terminal 21, the Port is adding 80,000 sq. metres of indoor and outdoor storage space for value-added activities through the acquisition of adjacent properties and the redevelopment of existing properties in the industrial park. One of the larger occupants of the space is Hason Steel of Lanoraie, QC, that recently completed an 11,200 sq. ft. plant to manufacture components for the petrochemical industry. The bulk of Hason’s production will be shipped to the U.S. Gulf Coast. Other destinations include India and Russia, according to Patrick Couture, Hason’s Director of Commercial Operations. "Trois-Rivières was chosen for the new plant because of the port’s installations and it offered what we needed. The plant will also provide us with synergies with our existing operations in (nearby) Lanoraie. “The company will carry out its reactor assembly operations at its new plant and transport modules to the port to ship them assembled to customers around the world. “By shipping its reactors in one piece by boat, Hason sets itself apart from its competitors, offers added value to its customers and is able to access new markets. We are proud to be a key part of this innovation,” said Mr. Boivin.

Port of Saguenay

Port of Saguenay reached a new historic high in terms of cargo handling in 2019, while maintaining similar traffic
as the previous year with 62 ships docked for the year. More than 635,900 tonnes of goods were handled, an increase of over 267,300 tonnes from 2018. This strong increase is explained in particular by the large volume of de-icing salt received, destined for the Saguenay-Lac-Saint-Jean region, the Quebec City region and the Great Lakes.

The Port begins 2020 with projects to improve its infrastructure, and is continuing its work to accommodate large-scale projects in its industrial-port area. One of the biggest projects is the construction of a metals processing plant by Black Rock Metals valued at over $1 billion for an iron-vanadium mine it is developing in Chibougamau. The company will convert the concentrate into pig iron that will be shipped to the Great Lakes and Europe. The Quebec government is providing $63 million in loans and loan guarantees to Développements Port Saguenay, to create the required infrastructure to support the Black Rock Metals project.

The Port has also been working on developing a new marine terminal on the North Shore that will enable Ariane Phosphate of Saguenay to construct an apatite (used for fertilizer) mine for about $1.2 billion. The project got the go ahead last October from Canada’s Environment minister, but construction on the new terminal will not proceed until the Port gets assurances the project will move ahead. Two European clients have signed on, but more are needed to justify the investment, according to company spokesperson Jean-Sébastien David. The company is currently negotiating with four other potential clients, he added. The $1.2 billion price tag includes $230 million for the port terminal. The mine will take two years to develop, including six months of engineering work, while the terminal could be built in 18 months, Mr. David estimated.

Port of Sept-Îles

A new $220 million multiuser dock, combined with a recovery in world iron ore prices plus several new and revitalized mining projects in and around the Labrador Trough, helped the Port of Sept-Îles record an increase of more than 15 per cent in volume handled in 2019. It’s the fourth best year since the record-setting 34.9 million tonnes handled in 1979 and the best year since the Sept-Îles Port Authority was created in 1999. In 2019, 481 ships anchored in Sept-Îles Bay, 53 more than in 2018.

Iron ore accounts for over 90 per cent of the 29.3 million tonnes handled at the port last year, up from 25.3 million tonnes the year before. The port is projected to handle more than 35 million tonnes in 2020, according to Pierre Gagnon, Port President & CEO. “Our business is tied to the iron ore market which has completely recovered from US$40/MT in 2015 to US$95/MT. Quebec Iron Ore is looking to double its production and our multiuser dock has lots of capacity to offer with 50-million-tonnes, the largest of its kind in North America. Our five partners (Québec Iron Ore, Tacora, Tata Steel Minerals Canada, Alderon Iron Ore and New Millennium) have already reserved 38 million tonnes of capacity.”

The 400 metre multiuser dock accommodated 45 vessels for a total of 7,776,000 tonnes handled, a 40 per cent increase over 2018. Quebec Iron Ore began shipping last year and a new user, Tacora Resources Inc., brought in another 917,000 tonnes. IOC Rio Tinto also carried out split cargoes on vessels chartered by Tacora. Another major milestone, 10 million tonnes handled at the multiuser dock, was reached in August, after only 16 months of operation.

The multiuser terminal is unique as its cost was split between the federal government, the port and private investors, namely the iron ore companies, noted Mr. Gagnon. “And by sharing the terminal, it allows companies like Alderon to take the money they would normally have to spend on building their own port infrastructure and put it towards their mining operations. We believe this is a strong selling point to attract new business.”

Montreal-based Alderon is developing a high-grade iron ore project in the Labrador Trough with its Chinese iron and steel-making partner HBIS Group Co., which has a 25 per cent equity stake in the project. Alderon is currently lining up financing, according to company President and CEO Tayfun Eldem. Once financing is in place, mine construction will take about 26 months to complete.

The mine has proven reserves of over 517 million tonnes and once full production is reached, annual shipments from Sept-Îles will be 7.84 million tonnes. HBIS has contracted to take 60 per cent of production, with Glencore the remaining balance.

Mr. Gagnon is proud to point out the port is connected to 60 others globally, including 25 in Europe, where 3-4 million tonnes of iron ore goes to Rotterdam alone. China accounts for 31 per cent of exports, while Japan and Taiwan take another 21 per cent. And Sept-Îles, combined with nearby Port Cartier, account for 70 million tonnes of iron ore exports annually, he added.

Work on upgrading the port’s intermodal Pointe-aux-
Basques terminal, closed since October, 2018, is expected to begin this year. In June, Ottawa and Quebec announced a combined contribution of $13.3 million towards an estimated price tag of $20 million. Work is expected to take a year, and improvements will include rebuilding the façade of the terminal, extending it by 40 metres, adding docking equipment and improving the intermodal infrastructure.

The closure of the Pointe-aux-Basques terminal has forced supply ships to use the cruise ship terminal, not designed to handle containers and bulk cargo. When it re-opens, several mining companies plan to use the terminal to move supplies north to their operations in and around the Labrador Trough and to export iron ore and other materials.

“With the growing iron market expected to generate upwards of 20 to 30 million tonnes of ore in the coming years, this project will allow the Pointe-aux-Basques Terminal to play a big role in the movement of supplies and as a transit point to meet the rising demand for short sea shipping for a growing range of goods,” said Mr. Gagnon.

Sept-Îles’ cruise ship business saw another record-breaking year, with the port welcoming 18,655 passengers and crew members. The season included seven planned calls, including the grand Queen Mary 2 on two occasions, and one unplanned call by the Serenade of the Seas seeking shelter from Hurricane Dorian. The ship came in to port with less than 24 hours’ notice and stayed for 34 hours, to the delight of retailers. A new permanent welcome pavilion is in the works for completion in 2022, since Sept-Îles is the only port on the St. Lawrence that doesn’t have one, Mr. Gagnon pointed out.
Port of Québec posted an increase in tonnage for the fourth year in a row handling approximately 28 million metric tonnes of cargo in 2019. The Port said that helping to boost that number was cargo related to the energy, steel, transportation and mining and metal industries. “This fourth straight year of growth is the result of the hard work and commitment of all port operators and employees, a reminder of the Port’s strategic appeal and the crucial role our organization plays in the Québec City and Lévis economy and tourism industry,” Mario Girard, CEO of Quebec Port Authority, said in a release.

In May 2019, the Port signed a major, long-term commercial agreement with Hutchison Ports and Canadian National Railway (CN), to build and operate the new container terminal, known as project Laurentia (previously Beauport 2020).

Hutchison Ports, an international firm operating in over 50 ports and 27 countries, will construct one of the most environmentally friendly and technologically advanced terminals in North America. The $775 million project, which is now going through the environmental assessment process, will have a capacity of 700,000 TEUs (twenty-foot equivalent units) when the first phase is completed in 2023, and 1.6 million TEUs when the project is finished. The Port is hoping it will be able to start the tendering process to begin construction this year. The majority of the required funding will come from the three partners.

However, the announcement did not represent the only investment at the Port. In fact, projects at the port in 2019 were valued at a total of $169 million. Those projects included upgrades to port infrastructure and the development of a grain export terminal by Sollio Agriculture. Developments were made possible with the financial support of the federal government’s National Trade Corridor Fund (NTCF). Along with these investments, the Port also announced the construction of a second cruise terminal at Wharf 30.

In addition to various cargo trades, Quebec has a thriving and growing cruise industry. International cruise traffic hit a record new high in 2019, sparking significant logistical challenges. The Port welcomed 236,715 passengers and crew members, up from 230,940 the previous year. There were a total of 150 cruise ship visits, 22 of which included embarkation and disembarkation operations, an increase of more than 60 per cent over 2018. Among the 40 ships that made Québec City a port of call in 2019, there were nine inaugural calls.

The Port received special honours being named “Best cruise destination – United States and Canada” for the third year running by Cruise Critic and Québec City also won Porthole Cruise Magazine’s Reader’s Choice Award for “Best Canada/New England cruise destination.”
A major modernization project at Port Saint John continues to move forward on schedule, says Jim Quinn, President and CEO, Saint John Port Authority (SJPA).

Port Saint John, along with the federal and provincial governments, entered into an agreement in 2016 to undertake a $205 million project to modernize and consolidate its Rodd and Navy Island terminals on the port’s west side to accommodate larger vessels and to enhance the port’s container terminal capabilities. In addition to the expansion and redevelopment of the piers, the project will see the redevelopment of the main container yard, increasing the capacity from 150,000 TEUs to 300,000 TEUs, the addition of on-dock rail capacity, the commencement of the reclamation of slipway and tidal lagoons to create additional land, the relocation of the terminal’s main gate and the introduction of modern technologies to facilitate the flow of traffic cargo, and, finally, the deepening and widening of the port’s main channel.

In the fall of 2019, SJPA called for three major tenders and is engaged in finalizing the last regulatory approvals which would then allow the commencement of work. Quinn said that to date approximately $17 million has been spent on transitional work involving things such as relocation of various conduits and bollards and the reconfiguration of crane rails. He noted that the next step was to move forward with the actual heavy construction anticipated to begin this spring. He said this work will be very visible to the local community and marks the beginning of what will be a very busy year.

As the project moves forward, cargo owners using the port may soon have the option of a second major railway. CP Rail has acquired (subject to government approval) Central Maine & Quebec Railway (CMQ). The acquisition will provide cargo importers and exporters access to ports at Searsport, Maine and Saint John via CP Rail and New Brunswick Southern Railway (NBSR). CN Rail has been the major carrier serving Saint John.

Quinn wouldn’t elaborate on what it would mean for the port to have the CP service but said he is reserving comment until the transaction is official.

The Port lost approximately half of its container business in January, 2017 when Tropical Shipping Line took its business to Halifax. The port’s peak year for containers prior to Tropical’s departure was 97,000 TEUs. However, with carriers CMA CGM and MSC, Saint John has been recovering steadily and in 2019 handled 69,000 TEUs, up about 19,000 since Tropical’s departure.

The Port’s cruise business enjoyed a very strong year in 2019 with a 24 per cent increase in cruise passengers and a 14 per cent increase in cruise ship calls. “It’s been a very good year from a cruise perspective and it’s shaping up to be even better this year,” said Quinn. The port anticipates a record year in 2020 with more than 90 vessel calls and approximately 217,000 passengers. The record year for cruise activities was 2010 when the port welcomed 205,000 passengers.
Federal Port Review, 2017-2018
BY THEO VAN DE KLETERSTEEG

Canadian Sailings has recently completed another annual study comparing financial and other performance data related to federally operated Canadian Port Authorities from 2017 to 2018 (Data for 2019 will not be available until July or August).

Toronto Port Authority
Because its financial statements include the operations of Toronto Island Airport, they are not comparable to those of other ACPA ports. Accordingly, Port of Toronto was not included in the study (except as noted).

Oshawa Port Authority
Having amalgamated with Hamilton Port Authority in 2019, the operations of Oshawa Port Authority are still included in this review, but will be excluded in the future.

Figure 1
CANADIAN PORT AUTHORITIES
PORT REVENUES 2018

- Vancouver
- Montreal
- Prince Rupert
- Halifax
- Quebec
- Hamilton
- Saint John
- Sept-îles
- Nanaimo
- Trois-Rivières
- Belledune
- St. John’s
- Port Alberni
- Saguenay
- Thunder Bay
- Oshawa
- Windsor

Total revenues $657.94 million
Total federal Port industry

In calendar year 2018, ACPA Ports produced aggregate revenues of $657.9 million, up 8.8 per cent from $609.5 million in 2017. Comprehensive income of $236.6 million was up by 4.6 per cent from 2017 aggregate comprehensive income of $226.1 million.

By way of comparison, Statistics Canada reported that for the calendar year ended December 31, 2018 (table 33-10-0161-01), corporations doing business in Canada reported revenues of $4.327 trillion (up 7.4 per cent from $4.029 trillion in 2017) and operating profits of $434.0 billion (up 13.1 per cent from $383.9 billion in 2017).

The port industry is a capital-intensive industry. In Canada, federal Port Authorities own assets with a total depreciated cost of $4.02 billion, from which the industry generates annual revenues of some $650 million. The net assets recorded on the books of the Ports do not account for federal and provincial grants they have received over the years to subsidize the cost of infrastructure additions or renewals. The industry declined precipitously in 2009 as the financial crisis reduced global trade, but recovered in 2010.

Since 2010, annual port revenues have grown steadily by an average of 5.8 per cent, compounded annually, from $418.8 million in 2010 to $657.9 million in 2018. Port volumes (including Toronto), on the other hand, have grown by only 2.0 per cent compounded annually, from 286.1 million tonnes in 2010 to 335.4 million tonnes in 2018.

Port volumes depend primarily on non-U.S. international trade. Exports consist primarily of commodities destined for overseas markets, while imports primarily consist of consumer goods for domestic consumption. Additional opportunities exist for Canadian ports to service markets traditionally serviced by American ports, both with respect to exports and imports. Canadian west coast ports have been successful attracting higher volumes of U.S.-bound shipments, and it appears that similar developments are now taking place at east coast ports.

What is the profile of a “typical” ACPA Port?

There is no “typical” ACPA Port because each port is significantly different from the next, resulting from geographic location, size and economic opportunity. Moreover, with Vancouver handling some 43 per cent of all Canadian federal Ports, and responsible for well over half of the comprehensive income generated by all ACPA ports, Vancouver’s stats swamp everyone else’s. Recognizing those limitations, an “average” ACPA
port handled 20.1 million tonnes of cargo in 2018, up 2.5 per cent from 2017, producing revenues of $38.7 million, up 7.9 per cent from 2017, and an operating profit of $13.7 million, up 13.2 per cent from 2017. However, at $13.9 million, 2017 “comprehensive” income exceeded 2017’s comprehensive income of $13.5 million by 3.0 per cent. At $367,626, CEO pay was up 3.8 per cent from the 2017 average of $354,016. Comprehensive “return on assets stood at 5.9 per cent in 2017, down from 6.0 per cent in 2017. “Comprehensive” return on equity also declined, to 7.3 per cent, from 7.7 per cent in 2017.

The above suggests that Canadian federal ports performed generally in line with the Canadian economy in terms of transshipping volumes. They raised prices and managed to achieve substantially higher operating incomes. On the other hand, insufficient attention was paid to “unusual items” such as investment income, and disposal of assets, as a result of which comprehensive incomes were only marginally higher than operating incomes. Lastly, while comprehensive returns on equity and assets are acceptable, they were lower than in the previous year, and suggest that the industry is becoming more capital intensive while profits are not keeping up with the growth of capital assets. In terms of returns on equity and returns on assets, Vancouver, Sept Iles, Montreal, Prince Rupert and Halifax put in the best performance.

Smallest and largest
Saguenay, the smallest in terms of tonnage, produced $1,164,200 of...
“comprehensive” net profit, and an operating income of $1,099,347 on revenues of $3.8 million in 2018. At $10.36, its revenue per tonne of cargo was by far the highest of any port, which enabled it to produce the greatest operating income per tonne of cargo ($2.98) as well as pay the highest employee cost per tonne of cargo ($2.21). By contrast, Vancouver, the largest in terms of tonnage, produced impressive “comprehensive” net profits of $129.3 million on revenues of $274.5 million. Its revenue per tonne of $1.87 was 3.1 per cent below the national average of $1.93, and at 30 cents per tonne, its employee cost per tonne of cargo was 30.3 per cent below the nationwide average of 41 cents per tonne.

Highest returns on assets and equity

Top marks for the highest comprehensive return on equity went to Sept-Îles (13.8 per cent), Prince Rupert (10.7 per cent), Vancouver (7.7 per cent), Halifax (7.6 per cent), and Montreal (7.5 per cent). Top marks for the highest return on assets went to Prince Rupert (8.8 per cent), Vancouver (6.8 per cent), Halifax (6.6 per cent), and Montreal (6.2 per cent).

It should be noted that these returns do not reflect true returns on the investments that have been made because federal and provincial grants and subsidies which over the years have added up to very substantial numbers, have not been accounted for on the Ports’ balance sheets.
Highest and lowest revenue growth rates

With a revenue growth rate of 81.3 per cent, Sept Iles underwent the most robust growth of any Canadian federal Port Authority in 2018, well above the national average of 7.95 per cent. Trois Rivieres was second (34.6 per cent), and was followed by Saguenay (20.2 per cent). Four Port Authorities reported declining revenues.

Referring to figure 2A, measured over a five-year period, average annual revenue growth rate was 5.2 per cent. The Port with the highest revenue growth rate from 2013 to 2018 was Saguenay (16 per cent), followed by Trois Rivieres and Prince Rupert.

Employee cost to move one tonne of cargo, and “all-in” costs

In 2018, employee cost to move one of cargo ranged from $0.08 (Sept Iles) to $2.21 (Saguenay), with the average being $0.41, unchanged from 2017. The “all-in” cost of moving a tonne of cargo ranged from $0.09 (Sept Iles) to $7.20 (Saguenay) in 2018. The average “all-in” cost in 2018 was $1.23, up from $1.12 in 2017.

As shown by figure 3A, from 2013 to 2018 the average employee cost to move one tonne of cargo increased by 1.8 per cent per annum. Over this period of time, five ports (Thunder Bay, Nanaimo, Belledune, Montreal and Halifax) actually reduced such expenses. Others still have work to do
Net income

There were very significant differences between Ports in terms of income performance. Three Ports (Thunder Bay, Nanaimo and Windsor) produced negative operating income in 2018. Nanaimo (but not Thunder Bay and Windsor) also produced negative comprehensive net income. Nonetheless, combined comprehensive income produced by all the Ports increased from $226.2 million in 2017 to $236.6 million in 2018. Vancouver produced by far the highest comprehensive income ($129.3 million, down from $146.0 million in 2017), followed by Montreal ($28.1 million) and Prince Rupert ($24.8 million).

Revenue per tonne and operating income per tonne

Referring to figures 5 and 6, average revenue per tonne of cargo rose from $1.86 in 2017 to $1.93 in 2018. Average operating income per tonne of cargo rose significantly between 2017 and 2018 from $0.63 to $0.68/tonne.

However, results for individual Port Authorities varied widely. Windsor produced the lowest operating income per tonne in 2017 (-$0.01), followed by Thunder Bay ($0.00). The highest operating margins were produced by Saguenay ($2.98), Belledune ($1.06) and Halifax ($1.57). The most significant improvements occurred at Montreal ($0.74, up from $0.20), Prince Rupert ($0.95, up from $0.63), Halifax ($1.57, up from $0.57), Saguenay ($2.98, up from $0.69) and Trois Rivieres ($0.90, up from $0.62).

Investments and investment income

While some Ports formally carry “investments” on their books, not all do. Assets classified as investments represented an aggregate value of $183.2 million at the end of 2018, as compared to $165.5 million at the end of 2017. However, most Ports do carry substantial cash balances on their balance sheets which, to the extent that

to reduce these expenses, some more than others.

Similarly, as shown by figure 4A, from 2013 to 2018 the average “all-in” cost to move one tonne of cargo increased by 0.9 per cent per annum. Only four ports, Thunder Bay, Nanaimo, Montreal, Port Alberni and Belledune actually reduced such expenses.
they represent cash in excess of levels regarded as needed to conduct their operations, represent an investment. To better measure the value of financial assets owned by Ports, we aggregated net working capital. On that basis, in 2018 Ports owned net working capital of $415.5 million, as compared to $324.0 at the end of 2017. Although in the aggregate, working capital held by the Ports appears reasonable, some Ports carry working capital on their books that is clearly well beyond their needs.

2018 aggregate investment income of $982,000 represented a very low return on investment assets of $42.2 million, indicating that investment funds were all invested in very low-risk assets.

**Capital expenditures**

At $219.8 million aggregate net capital expenditures by all federal ports in 2018 took a breather from the record capital expenditures of $316.9 million spent in 2018. It should be noted that the reported capital expenditures are only those that, from an accounting point of view, were paid for or were the obligation of individual Port Authorities, and are net of capital expenditures paid for by way of grants or contributions from federal or provincial governments. By far the largest capital expenditures were undertaken by Vancouver ($121.2 million, down from $170.6 million in 2017). Montreal ($32.5 million) was in second place.

**Salaries, wages and benefits**

During 2018 salaries, wages and benefits paid shot up from 2017, increasing from $138.0 to $183.2 million. Ports whose costs increased by more than 10 per cent included Thunder Bay (13.7 per cent), Hamilton (12.5 per cent), Sept Iles (18.2 per cent), Trois Rivieres (10.8 per cent) and Windsor (22.8 per cent). However, four ports managed to decrease their salaries, wages and benefits costs, namely Port Alberni (-28.9 per cent), Prince Rupert (-12.1 per cent), Nanaimo (-9.7 per cent), and Halifax (-4.4 per cent).

On a per tonne basis, employee costs declined from $0.42 in 2017 to $0.41 in 2018. Five ports saw their cost of employee compensation per tonne of cargo rise in 2018, namely Thunder Bay, Sept Iles, Quebec, St. John’s and Windsor. However, the cost increases were only nominal.

**CEO pay and Board compensation**

Average CEO pay rose from $355,585 in 2017 to $367,626 in 2018. Aggregate CEO compensation for all of the federal Ports in the study in 2018 was $6,249,635. Lowest CEO compensation was $172,855, while the highest paid CEO earned $815,000. One CEO position saw an increase in excess of 20 per cent, three saw increases of between 10 and 20 per cent, and seven received increases of between 0 and 10 per cent. Five CEO positions had their compensation reduced in 2018.

Ports, like all other business organizations, are governed by a Board of Directors. At Canadian Port Authorities, the smallest Board consisted of five members, while the largest consisted of twelve. The average was 7.3, up from 7.1 in 2017. Aggregate Board compensation in 2018 amounted to 52.0 per cent of CEO compensation, down from 53.1 per cent in 2017. Saguenay reported the lowest Board compensation in 2018 ($34,966), while Vancouver’s Board was, not surprisingly, the most costly ($764,000). In addition to Vancouver, Ports whose Board compensation exceeded $200,000 in 2018 included (in order of declining compensation) Prince Rupert, Halifax and Montreal. Not surprisingly, Saguenay incurred the highest Board cost of any port per tonne (9.5 cents). Saguenay was followed by St. John’s (7.0 cents), Belledune (4.7 cents), and Halifax (2.9 cents).

Although at $3.25 million 2018 Board compensation was, in the aggregate, only slightly above 2017 levels, the year was characterized by a noticeable trend toward larger Boards.
Interview with Capt. Allan Gray, new CEO of Halifax Port Authority

Capt. Allan Gray is on a sharp learning curve as he feels his way through his early days as the new President and CEO of Halifax Port Authority (HPA). The very affable Australian succeeded Karen Oldfield in the Port’s top job in November. Oldfield had been in the position since 2002. The new Port boss came to Halifax from Perth where he held the position of Harbour Master and General Manager – Operations of Fremantle Ports.

Halifax is a long way from Fremantle but moving halfway around the world to take on a new challenge is nothing unusual in the marine industry. But why Halifax? “The city is going through a lot of growth. The port has got potential to grow so I looked at it as an exciting opportunity and to bring some of the experience and global perspective that I have, but it is just exciting. The people I have met are full of optimism, which is terrific,” Gray said in an interview.

Gray spent 20 years at sea and traded on various vessels, including RO-RO, container, bulk and tankers. After his sea career he was involved in various marine safety management positions. He diversified into systems development and management, with extensive experience in the operation of dynamic under-keel clearance, berth warning systems, ship movement displays and real time geographic information systems.

Gray comes to a port where growing container cargo has been a challenge. In each of the last three years, when other ports along the East and West coasts have shown continued increases in cargo, Halifax has been steady at approximately 550,000 TEUs (twenty-foot equivalent units). The new CEO is considering available strategy options to increase volumes.

Normal growth at the Port will likely be one to three per cent, based on population and normal GDP growth (Gross Domestic Product), he says. To build on that, he points to the U.S. Midwest and Central Canada, which are already markets for Halifax cargo, to further increase business.

“"The only way we are going to get that is by reliable service by train. We have got to be able to turn (containers) around quickly. So shortly after a ship arrives, we have got to have containers headed out in 24 to 48 hours” to their destinations, he said.

A second option is building local exports. With better utilization of Halifax's several carrier services, Gray said “you open up the export markets for Nova Scotia products. So it is important, from my perspective, that I do everything I can to keep Midwest growth going, so I continue to have slots available for further growth in Nova Scotia and that’s certainly a target for the province, to get great export growth to both the airport and the port.”

A third part of this plan is Europe which for several years was the port’s top market until stronger trade links shifted to Asia. But new optimism comes from the Comprehensive Economic Trade Agreement (CETA) that Canada signed with the European Union in 2016. The increase in cargo hasn’t been as dramatic as was anticipated, but Gray still sees opportunities in Europe if done correctly.

There has been some movement in Europe, he says “but it (Europe) is always a tricky market. Europeans have lots of rules and you have to make sure your customers comply with those rules if you want to break into those markets. So it is about working with our customers to make sure we get through those rules and comply. I think it will open up fairly well. The Great Circle route that Halifax is on, coming from Europe and Asia, puts us in a good position to further expand opportunities there.”

The Asian trade, which has been strong in Halifax, may get a further boost with the purchase of South end terminal operator Halterm Container Terminal Inc. by Singapore-based PSA International in 2019. Gray likes what this
acquisition could mean for the port and cargo volumes. “I’m well aware of PSA from being in Australia and the Asia region,” he said. “They are a highly prominent player in the terminal markets and also very savvy in the terminal business. They will leverage their knowledge through Asia to draw additional markets.”

Gray said PSA has a good reach into Asia and are very well respected. He said PSA isn’t a company to rush into anything, “they are methodical in what they do. They will take their time to make sure they develop their terminal to be efficient so they have a great product to sell and then you will see them reaching out into the market space. I think they will work with us and CN, and grow the business. It was one of the things that excited me when you see someone like the Port of Singapore show confidence in the Port of Halifax and the city.”

With an eye on developments in the region, Gray also has to keep watch on planned major container cargo projects in Quebec City and in Sydney and Melford, Nova Scotia, any of which, if developed, could cut into Halifax’s cargo volumes.

In 2019 the Quebec Port Authority signed a major, long-term commercial agreement with Hutchison Ports and CN to build and operate a major, new container terminal. Is Gary concerned that agreement could impact CN’s service to Halifax? “CN has both Halifax and Quebec in its sights,” he said. But he feels Halifax has an advantage over Quebec because “we already have capacity and we don’t have to spend a lot of money to get there. So from a competitive point, we are ready right now. We will see the big ships coming here very shortly and we can handle them. We have plenty of spare capacity across our two terminals, so we are in a very competitive position.”

He said Quebec has to develop its own business case and suggested CN wants business from both ports so the rail line is making sure it has covered both bases.

As for the two proposed Nova Scotia projects which have been on the books for several years, while both have said they are shovel-ready to start construction, neither has signed a long-term contract with a major carrier. At this point, Gray’s tone didn’t denote any immediate concern.

“I think it is important across the whole port system in Canada that we provide a competitive system, not a competing system,” he said. “Again, those Ports need to stand on their own business cases as they go forward and it will depend on cost and volume available in the market. Time will tell on those,” he said.
As the global marine industry continues to evolve, introducing bigger ships, dealing with environmental remedies to combat climate change, adapting to technological advances and a long list of other issues, the South End container terminal in the port of Halifax is going through its own makeover, albeit on a much smaller scale.

In the past several months, former terminal operator Halterm Container Terminal was acquired by Singapore-based PSA International Pte. Ltd. from Australia-based Macquarie Infrastructure Partners. The terminal has since been rebranded to PSA Halifax.

The new operator adds depth and strength to Halifax’s marketing position. PSA is a leading global port group with flagship operations in Singapore and Antwerp. PSA’s portfolio comprises a network of over 50 coastal, rail and inland terminals in 18 countries.

Capt. Allan Gray, Halifax Port Authority’s (HPA) new President and CEO, who moved to HPA from the Ports of Fremantle, Perth, Australia, says PSA will be a great addition to Halifax and brings future cargo opportunities. “I’m well aware of PSA from being in Australia and the Asia region,” Gray said. “They are a highly prominent player in the terminal markets and also very savvy in the terminal business. They will leverage their knowledge through Asia to draw additional markets,” he said.

David Yang, PSA’s Regional CEO for Europe, Mediterranean and the Americas, said PSA would like to see Halifax become a logistics hub and sees opportunities to participate in supply chain logistics. “We have met with CN which gave us some very encouraging ideas,” Yang said.

In further discussion on PSA’s plans for an intermodal hub, Kim Holtermand, PSA Halifax’s CEO and Managing Director, said PSA Halifax’s customers depend upon the terminal’s fast, efficient intermodal links in order to serve shippers globally with cargo sourced or destined for major Canadian centres and across U.S. Midwest. “Going forward we will look to build on current services with greater rail service frequency, ‘destination trains’ direct to and from Halifax and inland cities and a customer approach that delivers greater transparency in our service and confidence in our product,” Holtermand said.

He added that the Port Authority has also been successful in making the case for National Transportation Corridor Funding to improve PSA’s on-terminal rail capabilities, taking trucks off Nova Scotia’s roads and out of the city and in the process offering better service opportunities for Canadian exporters across the Atlantic Provinces and simplifying import supply chains.

“PSA believes ports should become one of the links in the supply chain and we want to build out to improve that supply chain,” Yang said.

While PSA plans for future supply chain efficiencies, work continues with efficiency programs already in place such as truck turn-around times. “In 2018 we took our truck turn-around below the 60 minutes average sought by our
customers and in 2019 we delivered an average of 50 minutes from street-to-street, while also turning our focus towards improving our rail product,” said Holtermand. “That effort continues in 2020 and since we expect that our growth will increasingly depend upon inland opportunities by rail, we will continue to work very closely with our supply chain partner CN,” he added.

Holtermand said “PSA Halifax is Eastern Canada’s only container terminal capable of handling Ultra-Class vessels, and in 2020 we are excited to see that the delivery of a new crane and the completion of our berth extension will enable us to accommodate two such vessels simultaneously.”

Prior to PSA taking control of terminal operations, Halifax Port Authority began construction of an extension to the South End terminal. The $35-million project will extend the terminal by 134 metres and a working width of 57 metres. The extension will bring the total berth length to a continuous 800 metres. The work is scheduled for completion in mid-June. A new super-post Panamax crane, which will be able to extend across 24 containers, and a variety of supporting equipment, will be operational on the terminal by mid-summer.

The size of the vessels carrying containerized cargo continues to increase, said Holtermand. In 2019, the port received its largest Ultra-Class vessel, 364-metre CMA CGM Libra, with a capacity of 11,400 TEUs. In March of 2020, PSA Halifax is expected to see vessels in the 14,000 TEU range.

Holtermand said the terminal has attracted a number of new customers in recent years including Evergreen, Cosco Shipping, OOCL and Tropical Shipping and has built on strong regional connections with Eimskip, Oceanex and Melfi, “always with a view to further expand the customer base and the network opportunities for our long term customers including Zim Integrated, CMA CGM and Maersk Line.”

On the management side, PSA Halifax is essentially the same team that has been responsible for the growth of the terminal in the last few years. “Our industry, however, does not stand still and as we integrate ourselves fully into the global PSA family, we have much to gain from the experiences of other international teams developing new customers, new products and new technologies in other countries. We have to be agile and energetic enough to pull on all these threads and to adapt to the industry whatever it throws at us, but we have developed a team that ‘Can do’ and we move ahead with real confidence, Holtermand said.
The Canadian Deltaport Berth 4 (DP4) project is Global Container Terminals’ smart, phased plan to deliver needed container capacity at Port of Vancouver.

DP4 would expand the existing container terminal footprint at Roberts Bank, creating additional capacity as it is needed, without unneeded impacts on the environment, on Indigenous fishing grounds, on the workforce... or on taxpayers.

Meanwhile, the government agency Vancouver Fraser Port Authority (VFPA) remains intent on advancing its own plan instead, the Roberts Bank Terminal 2 (RBT2) project, a massive, new terminal island in the ocean that creates risk for the environment and for taxpayers. The VFPA has failed before, and is now trying, for the 3rd time, to find a company to build and operate its flawed project.

Isn't it time to recognize there’s a better way?
Roberts Bank container terminal project aims for 2028 opening

BY KEITH NORBURY

Port of Vancouver has set a target date of 2022 to begin construction of its long-proposed multi-billion-dollar Terminal 2 on Roberts Bank with the first phase of the container terminal opening in 2028. “That is, of course subject to permitting requirements,” said Duncan Wilson, the Port’s Vice-President of Environment, Community and Government Affairs. That includes Canadian government approval of the project as well as authorization under the federal Fisheries Act, Mr. Duncan said in a recent interview. Those remain big ifs.

Assessment agency working on report

As of Aug. 27, 2019 a review panel of the Impact Assessment Agency of Canada had “closed the public record” for the project’s environmental assessment and began work on preparing a report for the Minister of Environment and Climate Change. The panel has an abundance of material to consider. The agency’s impact assessment registry has 1,425 documents in its Roberts Bank Terminal 2 file. Nevertheless, Vancouver Fraser Port Authority expects the report to be submitted by the early spring.

Dozens of organizations, including about 30 First Nations, several environmental groups, and business organizations submitted documents. Among them is Global Container Terminals Inc., operators of the existing Deltaport container terminal at Roberts Bank, which has its own proposal for expanding its facility.

A scan of the submissions indicates that most — including that of Global Container — express serious concerns about the project and its potential impact. But not all. The Port Authority cites letters from nine First Nations among those 1,425 documents that support the Terminal 2 project. They include the Lyackson, Tseycum, Lake Cowichan, and Tsartlip First Nations. Also on the list is the Cowichan Tribes, which noted commitments made in a mutual benefits agreement with the Port Authority.

Tsawwassen First Nation lists concerns

Notably absent from that list is the Tsawwassen First Nation, whose territory is right next to the proposed container terminal. Tsawwassen Chief Ken Baird declined an interview. Communications manager Adrian MacNair said that’s because the First Nation is in negotiations with the Port. “TFN needs to ensure that its treaty rights are fully respected, and to the letter of the law,” MacNair said.

However, in its 48 pages of closing remarks to the environmental assessment review panel in August, the Tsawwassen First Nation said the project “has created real concerns” for its members about “potential adverse impacts to the connections, values and way of life that support their distinctive cultural identity as the ‘People facing the sea.’” The Tsawwassen submission said the project will have “severe adverse impacts” on the First Nation and its treaty rights and that there is a lack of information to support the Port’s position that T2 “will have negligible impacts on certain environmental components.”
The proposed Terminal 2 project is for a three-berth container terminal built to the southwest of Westshore Terminals Ltd.’s Roberts Bank coal terminal, which itself is to the southwest of the existing Deltaport container terminal. The new Terminal 2 would connect to the mainland by the same causeway that serves the existing terminals but which would be widened to handle the additional traffic.

**Cost estimated at $2 billion to $3.5 billion**

The Port Authority estimates the cost of Terminal 2 at more than $2 billion, with President and CEO Robin Silvester telling Bloomberg News in December that the cost could reach as high as $3.5 billion. Initially, the new terminal will handle the equivalent of 1.6 million standard shipping containers, or TEUs, each year but could expand to 2.4 million TEUs annually. “We’re planning to bring it on in phases so we don’t flood the market with capacity all at once,” Mr. Wilson said. “The timeline for when the additional incremental capacity would come on will be driven by market needs.”

The Port Authority says the new terminal is needed to meet increasing demand for containers in the Vancouver gateway, which will exceed the capacity of its existing terminals by the mid 2020s. (A leading opponent of the project — Roger Emsley of Against Port Expansion — disagrees.) “It’s particularly important to Western Canadian-based exporters who are dependent on this gateway and really don’t have another outlet,” Mr. Wilson said. “If you’re a retailer in Toronto, maybe you can find a way of bringing in your goods in another reasonable way. But if you’re in Western Canada, you’re really dependent on Canada’s West Coast ports.”

**Competing terminal proposal**

Global Container Terminals Inc., which operates Deltaport, has its own proposal to meet that extra demand. It plans a fourth berth known as DP4. However, the Port Authority has rejected DP4 in favour of Terminal 2.

Global Container Terminals, a.k.a. GCT, isn’t backing down though and is “continuing to advance” DP4, said Jennifer Perih, GCT’s Manager of Corporate Affairs. “We believe it is the most responsible, incremental, and appropriate solution to container terminal capacity in the Vancouver gateway. Other proposals come with undue risk to taxpayers and the environment,” Ms. Perih said by email. In issuing a refusal letter on March 1, 2019 to the DP4 proposal, the Port Authority “demonstrated bias as a regulator,” Ms. Perih said. GCT filed a judicial review of that decision on March 28, 2019. “We expect a favourable court decision that will allow us to progress the Berth 4 project without the continuing resistance from VFPA.”

The refusal letter noted that completion of Deltaport’s berth 3, or DP3, in 2010 increased Deltaport annual capacity by 600,000 TEUs. Its capacity is now 1.8 million TEUs per year.

The Port Authority’s Mr. Wilson said he couldn’t speak specifically to the DP4 project because it’s under judicial review. “But under the new Impact Assessment act, a project like that would be reviewed by the impact assessment agency. And any permits that would be required by the Port Authority would wait until that federal review is complete,” Mr. Wilson said.

However, he did leave the door open to a Deltaport expansion down the road, citing the Port Authority’s mandate to facilitate Canada’s trade and ensure adequate capacity. “So if we see that beyond Terminal 2, there’s continuing to be a need for expansion, we will obviously work to bring that capacity online, potentially with existing terminal operators or in the new facility,” Mr. Wilson said.

As it stands, though, one specification the Port Authority has made regarding T2 is that the successful proponent cannot have more than a 60 per cent share of the container market in the Vancouver gateway. GCT currently has a 73 per cent market share, he said. That doesn’t make GCT ineligible but “it would mean they would probably have to divest of another terminal or something,” Mr. Wilson said.

**Competitor alleges port bias**

GCT responded that the Port’s information is misleading. At the end of 2019, GCT says, it had a 69 per cent market share in the area under the Port Authority’s jurisdiction and only 51 per cent if the gateway, including Prince Rupert. GCT also finds the premise of the specification to be questionable.

“If any terminal operator in the Port of Vancouver is successful in growing its volumes and thus market share, are all terminals then going to be prevented from expanding when they hit certain thresholds arbitrarily established by VFPA?” Ms. Perih said. “That would send a message that VFPA is not a safe harbour for investment and growth. Perhaps that is why VFPA is having a hard time identifying a terminal operator for their proposed RBT2 project.”

As is the case with other container terminals in the port, the Port Authority will lease the land to an operator, Mr. Wilson said. “Effectively, we build the land mass and a private terminal operator will build and operate the terminal and that terminal operator will compete and ensure a competitive market amongst the broader group of terminal operators on the coast,” Mr. Wilson said.

As noted on the Port of Vancouver website, a Canadian Port Authority is structured like a public company except it has no shares, but is owned by the federal government through Transport Canada.” GCT says the Port Authority is not only its landlord and regulator, but is also a competitor and “cannot help but be biased in its role as a regulator,” Ms. Perih said.

For Terminal 2, the Port Authority hasn’t yet decided on whether it will do a single or split procurement, let alone who will build and operate the facility. “In the case of a split procurement there will be one procurement for the infrastructure, the developer, and another process to select the terminal
operator,” Mr. Wilson said. “In the case of a combined one, it would be probably a collaboration between a terminal operator and an infrastructure developer and it would be done as one.”

The Port Authority has been working on Terminal 2 since 2003 and for the last six or seven years on the project’s current version. In recent years it has explored different market structures and is still doing market research into that. “The length of the environmental assessment process ended up delaying the project so far into the future that we really wanted to get back out there again and retest the market and understand what current thinking is before we launch our new procurement,” Mr. Wilson said.

Environmental risks alleged

GCT and the Port Authority each argue that the other’s project presents greater environmental risks. The port’s refusal letter, for example, says DP4’s 56-hectare expansion would extend “well beyond the footprint on the very same intertidal habitat which was specifically protected by the reduced footprint of the DP3 Project to address the opposition of DFO to impacts on what they regarded as critical intertidal habitat.” Meanwhile, GCT President and CEO Doron Grosman, in his closing remarks to the Terminal 2 review panel said Terminal 2 “will result in significant adverse environmental effects that cannot be mitigated and are not justified in the circumstances.”

That wording was similar to that of other Terminal 2 opponents, such as the group Against Port Expansion. Among the adverse effects cited are that Terminal 2 would disrupt salinity and interfere with production of biofilm, which western sandpipers and other seabirds feed upon on the Roberts Bank mudflats. An April 15, 2019 submission to the review panel from Environment and Climate Change Canada, a.k.a. ECCC, also makes that argument. “Due to what ECCC believes to be high and unmitigable risks to an entire species of migratory shorebird, ECCC advises that only a Project redesign would avoid geomorphological processes on Roberts Bank impacting biofilm.”

Against Port Expansion is a leading opponent of the project and has presented a long list of objections. Executive Director Roger Emsley said its top issue is that the project involves building a man-made island “in what is recognized as the richest ecosystem on the whole of the west coast and labelled by BirdLife International as a top important bird area.”

Second on Mr. Emsley’s list is that the project threatens...
eel grass, which provides cover for juvenile salmon, which grow to become a critical source of food for endangered southern resident killer whales. And third would be the impact on crab harvesting by members of the Tsawwassen First Nation.

Should the Tsawwassen First Nation reach an agreement with the Port Authority to build Terminal 2, that wouldn’t “make any difference at all,” Mr. Emsley said, citing the findings of the ECCC scientists.

For its part, the Port Authority argues that Terminal 2 will be built 5.5 kilometres from the shoreline in deep water, “thereby reducing effects to the surrounding sensitive marine environment.” The Port is also leading a program introduced five years ago — Enhancing Cetacean Habitat and Observation, or ECHO — to study impacts of ship noise on whales. As a result, more than 5,000 ships “have voluntarily slowed down in, or moved away from, important southern resident killer whale feeding areas,” said a recent news release from the Port.

Tsawwassen First Nation has 33 recommendations

The Tsawwassen First Nation is a long way from an agreement if closing remarks to the panel are any indication. Among the many Tsawwassen concerns are that the project will have an impact on endangered killer whales, which are of unique cultural significance to the Tsawwassen people’s way of life. The closing remarks included 33 recommendations, which “should not be taken as indication that these recommendations will be adequate to address the concerns raised by TFN.”

The recommendations include requiring the port to “submit a TFN-specific cultural and community mitigation and offset plan, co-developed with TFN”; that Canada “establish and fund a government-to-government oversight body for the Project, inclusive of TFN”; that the port “complete an assessment of alternatives regarding locating the intermodal yard on the mainland adjacent to Deltaport Way, including an evaluation of the benefits of such an alternative for mitigating TFN concerns.”

As its name implies, Against Port Expansion opposes any expansion at Roberts Bank. However, if he had to choose, Mr. Emsley said he’d prefer DP4. “First of all, they’re not building a man-made Island,” Mr. Emsley said. “Their expanded causeway would cover over an area of biofilm and we have been in discussions with them about altering that causeway configuration so that it doesn’t. And GCT will only build this when there’s a business need because they’re in business to make money.”

That’s unlike the Port Authority, which Mr. Emsley called a “bloated government agency.” Mr. Emsley also disputes the Port’s case that Vancouver is about to run out of terminal capacity, citing expansions at DP World’s Centerm, and GCT’s plans to expand its Vanterm operation. If the West Coast does need more container terminal capacity, the best place is Prince Rupert, “because the environment and the ecosystem is very different,” he said. His arguments in favour of that include those put forward by Port of Prince Rupert itself, which include its closer proximity to Asian markets.

Also making an economic argument, of sorts, against Terminal 2 is the International Longshore & Warehouse Union local 502. “Simply put, RBT2 make(s) no sense if on the one hand the construction of the project is found to be environmentally sound while the actual operation of the terminal causes significant job loss and harm to the community and the larger economy,” wrote President Tom Doran in the local’s closing remarks to the panel.

The union also takes a shot at DP4. “We take no position in this very scenario where from our perspective there are two powerful proponents battling for supremacy while working people and communities are trying to avoid being trampled,” Doran said. “Therefore, we cannot support either proponent unless the questions of economic and social impact can be resolved.”

Drama anticipated

Not every group opposes the project. In its closing remarks to the review panel, the B.C. Chamber of Commerce expressed the opinion that “the Port Authority is well-positioned to deliver this needed container capacity as part of their ongoing effort to maximize the many existing competitive advantages offered by the Port without significant negative effects to the environment.”

Judging from the volume of submissions to the review panel, the project faces fierce opposition, though. Even if the Port can get all the First Nations on side, there’s no guarantee that the project won’t encounter obstacles. The Coastal GasLink pipeline in northern B.C. and the Trans Mountain pipeline in the southern part of the province all have benefits agreements with elected First Nation councils. Yet they’re facing blockades and court challenges from hereditary First Nation chiefs and their supporters. “We’ve been watching that story with great interest, obviously,” Mr. Wilson said of the Coastal GasLink drama, which of late has included blockades of a Via Rail line in eastern Canada and of the B.C. Ferries terminal at Swartz Bay on Vancouver Island. “I think that the nature of this project is quite different. And I think the nature of the Indigenous communities with whom we’re engaging are quite different.”

Mr. Emsley didn’t tip his hand about what his group or others might do should approval be granted for Terminal 2. Civil disobedience is possible, he said, although he added, “I don’t know who might do it.” Might that include APE? “Well, we’ll see,” he said. What is likely is some sort of legal action, not just from environmentalists, but from First Nations, he said. “This thing will get delayed for years,” Mr. Emsley predicted.
GRUNT CLUB CELEBRATES 85th ANNUAL DINNER
GRUNT CLUB celebrates

Grunt Club President Jeffrey Fisher (right) presents donation cheque to Suzanne Bleau-Myrand, Mariners’ House of Montreal President.

HEAD TABLE GUESTS
More than 1000 people members of shipping/ marine community and transportation industry and guests attended the Grunt Club’s 85th Annual dinner in Montreal December 6th. Grunt Club President Jeffrey President presided over this event which coincided with the 30th anniversary of the massacre of 14 women at École Polytechnique in Montreal. This solemn anniversary was marked with a moment of silence and a record number of women seated at the Head Table.

Among the highlights of the evening was the presentation of cheques to Mariners’ House of Montreal, the Montreal Children’s Hospital Foundation, the Fondation de l’Hôpital Saint-Justine and the Institut maritime du Québec.

Proceeds from the Annual Dinner and other social activities throughout the year go toward the financial support of these organizations.
Extended Welland Canal season will be tried again next year

BY ALEX BINKLEY

The extra week of shipping through the Welland Canal in early January generated 16 vessel transits and that result had shipping lines and ports hoping this year’s experiment will be turned into a five-year pilot project.

A little more than a month after the end of the extending Canal season, the Seaway Management Corp. decided the results merited a repeat in 2021, said spokesman Andrew Bogora. “The extension of the season for the Welland Canal showed sufficient promise to warrant continuing the effort in the future. Carriers and shippers are showing interest in a longer season, and SLSMC will continue to work with all stakeholders in exploring best possible ways to optimize the Seaway’s navigation season.”

Gregg Ruhl, President and CEO of Algoma Central, said more tests of the week-long extension are needed to see how it works under different weather conditions. This year came with an easy start to January as far as weather went. The extra days also brought additional business for Algoma during the last week of December as Ruhl had expected it would.

Larissa Fenn of Hamilton-Oshawa Port Authority said six additional ships transporting steelmaking commodities and grain were handled in Hamilton during the first week of January. “We’re really pleased with the Seaway making an effort to extend the season. Trying it for five years would make a lot of sense. “We didn’t see a particular spike in traffic during the week prior to Dec 31, but there was an additional factor causing uncertainty last year, namely the discussions around closing the Seaway on an emergency basis to address the water levels issue, which may have tempered some activity. We believe a consistently and progressively extended season is a very good thing. We applaud the Seaway for the successful pilot and would encourage them to continue to move in this direction,” Fenn said. “In addition to moving more vessels, the manufacturers we serve, in steel and other industries would benefit from lower inventory costs.”

Steve Salmons, President of Port of Windsor, said the shippers in his port weren’t able to take advantage of the extended season but “they believe that in 2020, with a full season’s knowledge of the extended opening, there should be more throughput with the longer season.”

Ruhl said Algoma is satisfied with the extra eight days as far as this five-year pilot program is concerned. Knowing the Canal was open in early January brought Algoma more cargoes during the last week of December as Ruhl had expected it would.

Additional FCL Service to other Middle East destinations.
Seaway reports late season tonnages

As the 2019 shipping season headed into its final weeks, U.S. Great Lakes ports reported increases in road salt shipments, petroleum products and general cargo in November.

Despite these areas of strength, overall 2019 St. Lawrence Seaway cargo volumes are down 6.6 per cent (for the period of March 22 to January 9) compared to 2018. Weaker overall U.S. grain exports, declines in steel imports due to U.S. tariffs and difficult navigational conditions due to very high water flows within the St. Lawrence River have restrained cargo volumes.

Bruce Burrows, President of the Chamber of Marine Commerce, said: “Despite the overall Seaway decrease, it’s great to see so many U.S. ports reaching their yearly goals, and exceeding their 2018 cargo totals. Cities and manufacturing companies rely on this important Great Lakes-Seaway trade corridor to stockpile road salt for deicing roads, deliver crucial raw materials for plant production, and export grain and other products right up to the end of December.”

Overall Seaway volumes declined to 38.3 million tonnes for the year ended January 9, 2020, down 6.6 per cent compared to the previous year. Dry bulk and liquid bulk were up by 8.5 and 2.4 per cent respectively. However, grain was down by 15.4 per cent, and general cargo was down by 33.2 per cent. Iron ore and coal were down by 8.0 and 6.3 per cent respectively. The most important cargo categories were dry bulk (30.4 per cent) and grains (27.2 per cent).
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Montreal Gateway Terminals celebrating its 50th with new equipment and technology

BY BRIAN DUNN

Montreal Gateway Terminals Partnership (MGT) is celebrating its 50th anniversary this year as it prepares to tackle new challenges in a changing industry environment. The company has been operating since 1970 under different auspices, including Cast Terminal and CP Ships, until 1998 when it became MGT after the Cast and Racine terminals merged operations. In addition to CP Ships, MGT has been owned by Hapag-Lloyd and Morgan Stanley. In March, 2015, a consortium led by Fiera Axium Infrastructure Inc. acquired a 100-per-cent ownership interest in MGT from Morgan Stanley Infrastructure Partners for a reported $650 million. The consortium consisted of Fiera Axium Infrastructure Canada II L.P., Desjardins Group, through its insurance subsidiaries and its Pension Plan, Manulife, Fonds de solidarité FTQ and Industrial Alliance. In December, 2015, Fiera Capital agreed to sell its participation in Axium Infrastructure Inc.

The sale to a group of local investors was a vote of confidence for the company, said MGT President and CEO Michael Fratianni at the time of the sale. And they continue to be very active today. “Their interests pretty much align with ours in terms of growing volume in Montreal. And like us, they’re always aware of their environment and social responsibilities.”

Between 2019-21, the company plans to invest $100 million in new equipment and technology improvements, including the purchase of 10 Liebherr electric rubber-tired gantry cranes and four postpanamax ship-to-shore cranes. The ten new gantry cranes have a maximum payload of 40.6 tonnes and can handle six containers. The four ship-to-shore cranes will be able to handle 21 containers across the deck compared to 14 on existing cranes with a capacity of 65 tonnes of payload.

“We are ready for the future with ships in the 6,000 TEU range,” noted Mr. Fratianni, who joined MGT in September, 1986, when it was known as Racine Terminal. “My wife sort of got me the job when she worked at CP Rail. My background was in banking and insurance and she sent my CV to HR (human resources) without my knowledge and I accepted a job in one of the company’s subsidiaries.”

For the past few years, MGT has been using the Navis N4 terminal operating system to help optimize terminal productivity and enable further enhancements of service deliveries. N4 allows customers to run their operations from a single terminal to multiple terminals managed from a central location. By consolidating all systems on one platform, the move enables MGT to modernize its IT infrastructure, optimize terminal efficiency, and facilitate ongoing logistics innovations. “The next evolution will be blockchain as another form of expediting data, only in a more secure way,” added Mr. Fratianni.

As a port terminal operator, the challenges for security are multiple, and MGT has several layers of protection as a result, noted Frederic Provost, Vice President Risk Management. “We have managed to centralize the access control of everybody accessing the installations. The truck driver that comes to pick up a container, a crew member that disembarks from the vessel or a longshoreman that comes for his shift, will all be managed by the same centralized access control system, named CCure.” The CCure system is linked to the terminal’s Avigilon camera monitoring system which covers the installation in high definition resolution.

“Another important tool MGT has implemented in the last year is the electronic security report system called Control Perfect. Under the system, security officers log details of all events in the terminals which can be shared instantly with the authorities,” noted Mr. Provost. “This helps us with the different federal authorities in terms of reporting and notifying requirements. This system is also a way to standardize data entry for different kinds of situations and builds a powerful database that would help us find solutions for daily issues.”

MGT handles about 60 per cent of the Port’s international container business through its Racine and Cast terminals, both served by CN and CP. It serves seven global shipping lines, namely CMA CGM, COSCO Shipping Lines, Hamburg Sud, Hapag-Lloyd, Maersk Line, MSC and OOCL. COSCO began calling at Montreal last April from several northern European cities, such as Antwerp, Bremerhaven, Le Havre and Liverpool.

Last year, MGT handled between 950,000-975,000 TEUs, according to Mr. Fratianni, up eight per cent from 2018. The increase was partly attributed to the launch of an exclusive Montreal-Mediterranean service in July, 2018, by Maersk. “It has proven to be very successful in bringing in new volume to the port, including growth in transshipments. For 2020, growth should be closer to 2½ - 3 per cent.”

Asked about major changes in the industry, Mr. Fratianni said the proliferation of containers over the last 30 years has been profound, and now most consumer goods move in containers. “As far as the port of Montreal is concerned, it was essentially a gateway to Europe. Today, the engine of growth is Asia which accounts for about 25 per cent of the port’s volume. The shift of manufacturing to Asia and India has made Montreal more attractive for the North American market.”

Last May, Quebec Port Authority announced the signing of a long-term joint venture with CN and global terminal operator Hutchison Ports to build a $775 million intermodal terminal with container capacity of 700,000 TEUs slated for start-up in 2024. CN said the objective of the project was to capture market share from the Port of New York and New Jersey especially in the U.S. Midwest.

Will it also take market share away from the Port of Montreal, Mr. Fratianni was asked?

“CN has built a case in terms of where the market is going which is predicated on larger ships going to Quebec. The biggest ships Montreal can handle are around 4,500 TEUs and nobody has told us we must expand our capacity. “We operate in a niche market and are doing very well. We remain very competitive in terms of price and service. Our policy is to grow organically through our existing customer base and we’ve got the top shipping lines in the world calling on Montreal.”
Captain Kazi, Master of *Federal Montreal*, and a backbone of Fednav’s seafaring fleet

BY WILLIAM HRYB

One of the most senior masters in the Anglo-Eastern/Fednav fleet, Capt. Sikander Mustaqali Kazi is most assuredly one of a kind. Distinguished looking, debonair and mild mannered, the consummate master of *Federal Montreal* belies the authority that he so subtly and expertly represents.

Colourful ceremonies at Fednav ship launches are always a spectacular and festive affair. Launching of the magnificent *Federal Montreal* at Oshima Shipyard in Japan was all of that and then some. The milestone proceedings that took place August 29th 2019 were particularly special as the massive 34,500 dwt bulk carrier was named after the Canadian city Fednav Limited describes as home and where the pulse of its world-wide corporate and ship operations is measured and controlled.

Built to trade in the St. Lawrence River and the Great Lakes, the Marshall Islands-flagged vessel is equipped with the latest environmental protection technology. The ice-class bulk carrier measures 200 metres long with a breadth of 23.8 metres, and is destined to sail the Seaway system for years to come. With a fleet close to 85 bulk carriers trading around the world, 64 of these ships are owned by Fednav.

Capt. Kazi, Chief Engineer Viresh Kumar and 2nd Engineer Abhay Rana arrived at Oshima Shipyard three weeks earlier for mandatory sea trials. During this vital period all systems, including the ship’s main engines, machinery and navigation equipment were tested and witnessed by ship’s classification and owner’s representatives. Oshima Shipyard was established in 1972, and is located on Oshima Island near the entrance to Sasebo Bay.

Intensive sea trials took about three days to complete before *Federal Montreal* returned to the yard where the vessel awaited delivery formalities. After the sea trials, Capt. Kazi and his two engineers remained at the shipyard to supervise, get familiar with the new ship and observe demonstrations and testing of equipment on board. The rest of the crew joined the vessel four days prior to delivery.

On the day of delivery, attended by Fednav representatives, shipyard personnel and local community members were in store for a convivial commemoration. The vessel was tastefully decorated with various flags that preceded the traditional christening ritual of smashing a bottle of champagne, with honours given to the godmother of the vessel, Ms. Donna Haley. Not long after, a sensational whistle blowing ceremony, triggered remotely by Capt. Kazi at the dais, was followed by a spectacular nine-gun salute by shipyard personnel. Later, a
local drum band consisting of children supported by their teachers performed to the delight of all visitors.

Soon after the ceremony, the guests were welcomed on board by the ship’s crew smartly dressed in merchant marine uniforms. Federal Montreal departed Oshima on her maiden voyage to her first port of call, Inchon, South Korea, later that day. Arriving at the Port of Thunder Bay on November 25th over two and half months later for her first grain cargo, Canadian Sailings had a chance to discuss Capt. Kazi’s amazing career.

C.S.: You have had a long career...why did you decide to become a ‘seafarer’ and as a young man who influenced you in that direction?

Capt. Kazi: “I was born in a village on the western coast of India, where 60-70 per cent of the men went to sea. In other words, it was a seafaring community. As a child I used to hear about their stories and adventures, and I was fascinated to join the merchant marine. I come from a seafaring family. My grandfather served the Royal Navy for a long time during the British era in India. Some of my uncles were in the merchant marine, as well served in the Royal Navy.

C.S.: What advice would you give to a young man or woman who is contemplating a maritime career?

Capt. Kazi: “A career at sea is adventurous and challenging. You experience new challenges all the time. It also gives one an opportunity to visit places and get to know the different cultures of the world which any other career may not. Of special mention is to explore pristine places like the Canadian Arctic which very few people might be fortunate enough to visit, where I could go fossil hunting. As a matter of fact - I have an invaluable collection of trilobites (fossils) that I picked up myself at Little Cornwallis Island.

I’ve had the unique opportunity to ice navigate in the Arctic, the Baltic Sea and above all, transit the St Lawrence Seaway where the ships are lifted about 601 feet above sea level from the Seaway where the ships are lifted about 601 feet above sea level from the Atlantic Ocean. Simply put, after sailing for so many years, I can say that no one trip was the same. There were different challenges every time.

One has to have passion for this job to do justice to it and enjoy it to the fullest extent. Also, one very good feature about this job is, one gets longer vacations/time off to spend quality time with his/her family.”

C.S.: As a ship’s master, you have many responsibilities...what gives you the most satisfaction about being a ship’s captain. On the other hand, what do you dislike about your position, if any?

Capt. Kazi: “As the master of a vessel, one has responsibilities towards multiple stakeholders, such as the ship’s owner, regulatory authorities, the commercial interests of various parties, and environmental responsibilities. There is a stringent worldwide regime to regulate/monitor ship’s performance such as ISM, port state authorities, flag state authorities, and the vessel is required to stay within the framework of these regulatory requirements - this takes most of my time.

Also, safe navigation from port to port, and to deliver the cargoes safely is an essential and very important responsibility. It is challenging to keep abreast of changing regulatory requirements of the different countries and ports worldwide, despite the professional assistance that we receive from our port agents.

What gives me most satisfaction as a ship’s captain is sailing the safely from port to port and delivering cargo safely to its destination without adverse impacts on our environment. We also take pride in maintaining the morale of the crew high, considering they are away from home for long periods of time.”

C.S.: Are you the most senior captain in the Anglo Eastern / Fednav fleet?

Capt. Kazi: “Yes, I am one of the most senior captains of the Anglo-Eastern/ Fednav fleet. I first came to the Great Lakes/Thunder Bay in 1987. I have been sailing on board Fednav vessels since 1991, carrying cargoes to Great Lakes ports and hauling grain out of the Lakes mostly from Thunder Bay and sometime from Duluth.”

C.S.: As you know, we are not getting any younger... have you taken into consideration any plans for retirement (I call it transitioning) and what will that look like for the future?

Capt. Kazi: “Indeed, I am not getting any younger. It has been a very long rewarding career and I enjoyed it thoroughly. It is about time I consider hanging up my seagoing boots. In the very near future you will hear about my retirement plans. Sailing has been my passion and I find it hard to give it up. I am contemplating taking up a part time assignment where I can share my experience with the young sailing fraternity and mentoring them. Besides that I am seriously thinking of contributing some of my time to community service.”
Montreal Port Authority President and CEO Sylvie Vachon awarded the famous Gold-Headed Cane to Captain Qin Xiao Fei, a Chinese national, Master of Exeborg, the first ocean-going vessel to reach the port of Montreal without a stopover in 2020.

Exeborg left the Port of Sauda, Norway, on December 21, and crossed the port of Montreal’s limits on January 3 at 2:11 a.m. Like every year, awarding the Gold-Headed Cane marks the start of a new year of activity at the port of Montreal ... a tradition since 1840!

“In awarding this symbolic and historic cane to Captain Qin, we are expressing our gratitude and appreciation to the men and women who are at the heart of maritime economic activity all over the world,” said Ms. Vachon.

Exeborg is a bulk carrier operated by Wagenborg Shipping and represented in Montreal by Lower St-Lawrence Ocean Agencies Ltd. It docked at a terminal operated by Logistec. Exeborg stayed there for a few days, the time it takes to unload its cargo: ferromanganese, used for the design and manufacture of high quality, ultra-resistant steel.

In the presence of many representatives of the marine industry and Montreal’s business community, as well as political figures, the Port also recognized the work of the pilots of the Corporation of Mid St. Lawrence Pilots, Patrick Caron and Éric Godolphin, who guided the ship safely into port.

M/V Whistler first ocean-going vessel of 2020 at the port of Trois-Rivières

M/V Whistler was the first vessel to call the port of Trois-Rivières in 2020, docking on January 5 at 8 p.m. after a 19-day crossing of the Atlantic. With its 20 crew members from mainly the Philippines, but also from Montenegro, Croatia, Greece and Ukraine, the vessel left the port of Valletta, Malta on December 17, 2019, carrying 34,711 tonnes of de-icing salt loaded in Egypt eight days earlier. The cargo is destined for Sable Marco in Pont-Rouge, and unloading operations were handled by Somavrac.

To receive the award of first vessel, the vessel must arrive in Trois-Rivières from an overseas port without making a stopover at another Canadian port and perform a loading or unloading operation at the Port of Trois-Rivières.

“We are pleased to mark this 54th ceremony of the first vessel of the year by presenting the captain of M/V Whistler, Vladimir Milovic, and its chief engineer, Filip Vuckovic, a giclée reproduction of the painting Un port, une équipe, produced by Mauricie artist Caroline St Pierre, as well as a basket of regional products”, said Michel Morin, member of the Board of Directors of Trois-Rivières Port Authority.

Gaétan Boivin, President and CEO of the Port, took the opportunity to highlight the quality of the work carried out by Somavrac and the Trois-Rivières longshoremen responsible for the unloading operations of M/V Whistler.

M/V Whistler is a bulk carrier built in 2007 sailing under the Liberian flag. Its length overall (LOA) is 199.9 metres with a beam (width) of 23.7 metres. During its stay in Trois-Rivières, she was represented by Lower St-Lawrence Ocean Agencies Ltd.
The port of Saguenay welcomes its first ocean-going vessel in 2020

The port of Saguenay welcomed its first ocean-going vessel of the year with M/V Jaeger Arrow docking at the Marcel-Dionne Wharf in Grande-Anse at 8 pm on January 1, 2020. Saguenay Port Authority, represented by its President and CEO, Carl Laberge, and the Director of Operations and Harbor Master, Marc-André Savard, underscored this tradition by presenting a commemorative plaque to the captain, Jan Per Richardt.

Flying the flag of the Bahamas, M/V Jaeger Arrow arrived from Rotterdam with a shipment of liquid pitch and general goods intended for regional industrial enterprises. The vessel, 171 metres long, with a maximum draft of 11 m and a capacity of 24,000 tonnes, left port on January 5, 2020 in the early evening after having loaded aluminum for Europe.

To be eligible, the vessel must arrive from a foreign port without having made any stopovers before arriving at the port, and the purpose of its call must be to load or unload cargo at the port.

Proceedings of BLG’s 31st Annual Maritime Law Seminar

BY BRIAN DUNN

The issue of abandoned and mislabelled cargo was brought to the attention of Canadians last year by the well-publicized case of garbage being labelled as recyclable plastics, and shipped to the Philippines in 2013 for “recycling”. For the past six years, the shipper, ZIM Integrated Shipping, and its Philippine agent were embroiled in a conflict and Philippine President Rodrigo Duterte threatened to “declare war on Canada,” as a result. Finally, on May 30, 2019, the waste was returned to Canada at a cost of $1.2 million to Canadian taxpayers.

The case was highlighted during BLG’s 31st Annual Maritime Law Seminar in Montreal on Dec. 6. It was also pointed out by BLG Partner Robin Squires that waste is the most common problem related to abandonment. Cargo is abandoned for a number of reasons, including inability to pay duties or storage fees that exceed the value of the cargo. “The Canadian government learned a lot from the issue and how to deal with the problem going forward,” Mr. Squires added.

Refrigerated cargo is considered abandoned if unclaimed five days after being discharged and 15 days for dry cargo, according to Mark Newcomb, counsel and Vice-President – Claims, Insurance & Regulatory Matters, ZIM Integrated Shipping, who had to deal with the Philippines case four days after joining the company. “We have 10,000 unclaimed...
units (containers) or two per cent of our total units, costing about $20 a day in storage and the trend is going in the wrong direction. When I joined ZIM a few years ago, there were 2,200 unclaimed units."

China accounts for about 29 per cent of ZIM’s unclaimed cargo with 19 per cent originating from Canada and 17 per cent from the U.S. Haiti accounts for about 36 per cent of the company’s unclaimed cargo and over 30 per cent of that figure relates to cargo shipped from Canada. Most of it is unclaimed relief goods and 78 per cent of it is due to the inability to pay storage fees, according to Mr. Newcomb.

Canada may find it harder to export goods to be recycled since countries like China and India are beginning to refuse them, he added. “If you can’t sell them, you can’t move them, which incurs more costs. We are not equipped to handle abandoned cargo as we don’t have the resources. You are in better shape if you know your customer and know what’s in the container. You also need to know who is shipping and who is receiving.”

If illicit cargo is abandoned, it’s often difficult to trace the shipper, according to Susan Lee, senior claims executive, Thomas Miller (Americas), managers for the U.K. P&I and Defence Clubs. And reefer cargo delays can often result in abandonment. There is also the potential for fraud, such as used cars being stolen at their destination. P&I organizations will often provide indemnity coverage and legal defence fees and some support for third-party liability and intermediaries, Ms. Lee added. There is also coverage for agents when liable, in lieu of carriers in some countries. “But we do not cover lost opportunity costs when containers can’t be used for other business.”

Ship-source Oil Pollution Fund (SOPF) celebrated its 30th anniversary in 2019. It has cash balances of over $411 million on hand, and compensation for claimants is now unlimited, the Fund’s Administrator Anne Legars told the seminar. Over 400 claims have been paid since the fund began in 1989. “The Fund compensates victims of pollution by any type of oil from any ship or boat anywhere in Canadian waters. The largest ever claim was over $4.5 million, but historically, a majority of claims are under $50,000.” Compensation covers different types of damages, including clean-up costs, damage to the environment, property damage and losses affecting the economy, fisheries and tourism.

There have been a number of recent legislative amendments to the Fund, noted Ms. Legars. One is the availability of emergency funding of $10-$50 million a year to the Department of Fisheries and Oceans (DFO) in the event of a major oil spill. The Fund’s liability has also been expanded when DFO takes preventative measures before a “grave and imminent threat” of oil pollution damage arises. In addition, the Fund has added a new simplified fast-tracked process for most claims up to $35,000. And the levy that can be charged to oil importers and exporters has been modernized.

Oil tankers are not an issue in the SOPF portfolio, but smaller vessels are, according to Ms. Legars. The Fund’s main exposure is in British Columbia due mainly to abandoned and derelict vessels.
Now this is what you need to know if you’re thinking of operating drones

BY BRIAN DUNN

Remotely piloted aircraft or drones could become valuable, cost-effective tools for the shipping industry, according to a study prepared by law firm BLG. Drones offer a myriad of uses, including capture of aerial images of difficult passages, improving crew safety by identifying risks on board that may be difficult to access otherwise, locating hazards at sea and carrying small loads to and from vessels at anchor, among others. However, commercial drone operators must comply with new regulations from Transport Canada. One of the most significant changes under the new regulations is that all drones weighing between 250 grams and 25 kilograms must be registered and the registration number must be clearly visible on the drone.

Drones in excess of 25 kilos do not need to be registered, but require a Special Flight Operations Certificate (SFOC) which can be obtained from Transport Canada. An SFOC is also required for those who are not Canadian citizens, permanent residents of Canada, not a Canadian corporation or Canadian government entity.

A small drone weighing between 250 grams and 25 kilos is subject to obligations depending on whether its operations are considered “basic” or “advanced.” To qualify for basic operations, a drone has to be flown in uncontrolled airspace (where no air traffic service is provided), flown more than 30 metres (100 feet) horizontally away from bystanders and never flown over bystanders. If these three conditions are not met, drone operations will be considered advanced, which will trigger additional requirements. Given the nature of shipping and port operations, it is likely Transport Canada will consider many drone operations in the shipping industry as advanced, according to Robin Squires, Partner, BLG and one of the study’s authors.

“It is important for both individuals and organizations to understand the new regulations as there are penalties for non-compliance. Depending on the contravention, the maximum fine is $5,000 for individuals and $25,000 for corporations, or in some cases, imprisonment. Multiple infractions can lead to multiple fines.” Privacy, cybersecurity and insurance factors should also be considered before using drones, Mr. Squires added.

The use of drones in the shipping industry is relatively new, and very little is known about their applications. However, Mr. Squires has seen them used in two instances. One involved a complex docking procedure and the other was a client that used a drone to assess sea ice in the Arctic. He suggested the most common size of drone the industry will embrace will be about twice the size of a laptop, because it is the most cost effective, easy to fly and easy to transport.

“It’s difficult to determine how widespread the use of drones could become in the shipping industry, but I think the more people hear of others using them, the more they will want to use drones themselves. I don’t think they will necessarily reduce the use of manpower. They will be more of a risk management tool to make ships safer, such as surveying for Arctic ice. I also think we’re a long from them being used for unloading cargo at terminals in major ports.”
Cando Rail Services has started construction of the Cando Sturgeon Terminal in Sturgeon County, Alberta. Phase 1 of the terminal will provide additional rail capacity to Alberta’s Industrial Heartland and utilize a loop-track system to enable storage of up to 1900 railcars. Early works and site mobilization have begun with completion expected in 2020.

The new terminal will offer services seven days per week for railcar staging and storage, including unit-train storage capability, for short or long-term, loaded or empty rail cars. Additional value-added services include railcar switching, air testing, rail car repair and cleaning, transloading, material handling, inventory management, car stenciling, placard replacement, AEI tags, DG inspections and graffiti touch-ups.

This investment marks a major milestone for Cando Rail Services, Sturgeon County and Alberta’s Industrial Heartland. The majority of the value-added products produced in the Heartland, Canada’s largest hydrocarbon processing region, are shipped to national and global consumers by rail. Cando’s investment will increase market access and allow industrial facilities in the Heartland to concentrate on their core business, while partnering with Cando to access increased transportation and logistics solutions.

The Cando Sturgeon Terminal is centrally located in Alberta’s Industrial Heartland directly West of the CN “Beamer Spur” and serviced by the CN mainline. The terminal is South of the $4.5 billion Canada Kuwait Petrochemical Corporation (CKPC) integrated propane dehydrogenation and polypropylene upgrading project (currently under construction), and southwest of Pembina Pipeline’s Redwater Fractionation Site (RFS).

Brian Cornick, President & CEO, Cando Rail Services, described Cando’s development as “the undertaking of our newest terminal in Sturgeon County is a defining moment for Cando Rail Services. This terminal will allow us to expand our nation-wide logistics planning network, thereby enabling greater movement of Canada’s resources in a key industrial hub of the country”, while Mark Plamondon, Executive Director, Alberta’s Industrial Heartland Association (AIHA) commented that “the investment by Cando Rail Services in a new rail terminal is further demonstration of the tremendous value proposition available to companies in Alberta’s Industrial Heartland. The increased railcar staging, storage and value-added services by Cando Rail will complement the world-class logistics infrastructure that already exists in Alberta’s Industrial Heartland, further increasing the region’s competitive advantage for value-add energy processing.”

Cando Rail Services is an employee-owned company that has been providing specialized rail support services for over 40 years. Cando optimizes the bulk material supply chain for industry and the Class 1 railways across North America, operating at more than 35 sites across Canada and the U.S. Cando serves many industries including automotive/manufacturing, fertilizer/potash, petroleum, grain and grain products, forest products and intermodal.
Teck and CN announce significant rail shipping agreement

CN and Teck Resources Limited announced a long-term rail agreement for shipping of steelmaking coal from Teck’s four B.C. operations between Kamloops and Neptune Terminals, and other west coast ports. The agreement runs from April 2021 to December 2026, and will enable Teck to significantly increase shipment volumes through an expanded Neptune Terminals. The agreement also provides for investments by CN of more than $125 million to enhance rail infrastructure and support increased shipment volumes to Neptune.

“This agreement and the associated infrastructure investment will provide us with rail capacity to match the major upgrades underway now at Neptune Terminals,” said Don Lindsay, President and CEO of Teck. “We expect this will lower our total transportation costs and improve overall rail and terminal performance.”

“CN is proud to be playing such a significant role in moving the steelmaking coal from Kamloops to the last mile at Neptune Terminals on Vancouver’s north shore,” said JJ Ruest, President and Chief Executive Officer of CN. “This significant volume commitment from Teck is further proof of CN’s ability to serve our customers into Canada’s trade gateway on the west coast. The terms of this agreement are confidential.

Headquartered in Vancouver, Teck is Canada’s largest diversified resource company committed to responsible mining and mineral development with major business units focused on copper, steelmaking coal, zinc and energy. Operations are conducted in Canada, the U.S., Chile and Peru.

QSL expands its presence in Houston, Texas

QSL, the Quebec-based terminal operator and stevedoring company, is expanding its geographic footprint in the US with the addition of a marine terminal in Houston, Texas, at the South Central Cement dock with draft of 11.9 metres. QSL Texas Terminals will now be offering its clients access to the central part of the United States of America via the Mississippi River, the key transportation artery of the U.S. economy. This presence is the first phase of QSL’s planned activities into the Gulf of Mexico.

“The acquisition is in line with our desire to meet the evolving needs of our customers. We are proud and excited about the opportunities this expansion enables for our teams and our customers. Our North American footprint is widening, and we are paving the way for promising synergies through intermodality,” said Robert Bellisle, President and CEO of QSL.

QSL Texas Terminals will now have two operations in the Houston area: access to South-Central Cement Dock via Compas Marine for the loading and unloading of barges and ships, as well as a 13,000-square-metre warehouse and 40,000 square metres of outdoor storage space in Pasadena. The warehouse opened in Oct. 2019 and provides services for commodities, containers, rail transshipment, bulk transfer and bagging, local and regional trucking, container billing and cargo consolidation. The new warehouse will serve businesses dealing in steel, metals, lumber, project cargo, paper, cotton and general cargo. It has access to the PTTRA network (Port Terminal Railroad Association), which assures switching to the Union Pacific and BNSF railroads, and serves the Kansas City Southern Railroad for all freight to and from Mexico.

“I want to thank all our teams who go beyond the call of duty day after day, and who allow us to deliver our promise to our customers: tailor-made success. During the past forty years, QSL has grown into a company with a reputation for excellence and cutting-edge expertise, now expanding into the southern United States,” concluded Mr. Bellisle.
A proposal to make the carbon tax less onerous to corporate taxpayers, and more effective to reduce GHGs

BY THEO VAN DE KLETERSTEEG

Since April of 2019, Canada has imposed the implementation of a carbon tax in the four “backstop” provinces of Alberta, Saskatchewan, Manitoba and New Brunswick in an effort to reduce Canada’s ever-increasing releases of greenhouse gases (GHGs).

However, until such time as carbon taxes are increased dramatically, will these taxes accomplish anything or, in the words of Greta Thunberg, are they nothing but clever accounting and creative PR? Moreover, do we really need another costly federal program to collect and redistribute these taxes? I think not.

Over time, advances in technology have created the illusion that the earth can sustain an unlimited population. Occasionally, we find out that this is a fallacy, but then further advances in technology push the envelope further, and we find ways of accommodating further population growth. Today, it is clear that, unless mankind invents new technologies that will reduce its reliance on carbon to sustain himself, Nature will create a far more hostile environment that will, over time, re-balance the number of humans that the earth can sustain.

The scientists are unanimous about identifying carbon compounds as the chief culprit, and the eventual consequences of the continuous buildup of carbon compounds in the earth’s atmosphere. They talk about the necessity of limiting the rise in the temperature of the earth’s atmosphere to no more than 1.5 degrees C above pre-industrial levels, which they believe could be accomplished in the next two to three decades, if man somehow managed to stop loading more carbon into the atmosphere, or find ways to remove it. However, every human activity involves the production of GHGs, and technologies to neutralize GHGs have not yet been invented. While there is some progress in the development of such technologies, such technologies are likely to be very costly, applied on a global scale, and will likely involve a dramatic reduction in living standards. Furthermore, dealing with the cost of mitigation of the effects of climate change (fires, hurricanes, drought & famine) will occasion ever-increasing costs annually, which will ultimately lead to reduced global standards of living. Severe social disruption will likely be one of the consequences, as governments will no longer be able to raise sufficient revenues to provide customary levels of social services.

After more than a decade of talking, governments have initiated the first baby-steps in the process of change, resulting in Canada in a hodgepodge of carbon tax policies. While these policies represent a step in the right direction, they should more aptly be referred to as “creative PR” to make us think we’re actually doing something, whereas in reality the situation gets worse each and every day. Until such time as carbon taxes are increased dramatically, our existing carbon tax regulations will accomplish nothing tangible. As a business analyst, I strongly suspect that the very high cost to taxpayers of implementing these regulations will be well in excess of their expected minimal benefits.

We need more forceful action from our governments that will actually result in less carbon being released into the atmosphere. What we don’t need is PR about “objectives” that have been established for 2030 or 2050. We need to get serious. Here are my suggestions:

1. Do everything possible to scrap the existing hodgepodge of carbon taxes.

The various provincial schemes are confusing, cost taxpayers a lot to implement, cost businesses headaches and money to comply with, and produce questionable results. Paperwork associated with their implementation is a burden on corporations. Furthermore, the federal scheme to return to individual taxpayers an imputed amount of taxes paid is not only costly, but runs completely counter to what we were taught in Psychology 101: if governments want citizens to consume less, citizens need to be taxed in a manner that relates to this consumption: the present plan of returning carbon taxes paid by consumers does nothing to change behaviour.

2. Replace existing carbon tax schemes with a “bolt-on” tax to an existing tax.

The Goods and Services tax has been in operation for many years, is well understood, has an existing infrastructure cost, and is a fair consumption tax that does not harm Canada’s corporations. I suggest that an additional environmental tax be “bolted on” to the GST to replace existing carbon taxes. The tax rate could start at quite a low rate, say 1%, but can easily be adjusted by the federal government, as required. The tax would be charged on everything that the GST applies to, and would work in exactly the same manner. Collections and remittances would be made by businesses in exactly the same manner as collections and remittances for GST – there would be no incremental administrative expenses. However, unlike the proposed refunds of carbon taxes to residents of the “backstop” provinces, such refunds would not take place. In addition, proposed refunds of carbon taxes to be paid to corporations, in a manner that is yet to be determined, should also be cancelled.

A GST-like tax would overcome a fundamental problem associated with Canada’s existing carbon taxes: existing taxes are
applicable only on the purchases of carbon-containing fuels. The taxes do not touch the purchase of goods, which might contain huge amounts of GHG-producing inputs. Any thing or any service we buy, from anywhere, contains a carbon element, directly or indirectly. The existing carbon tax only touches domestic sources of carbon-containing fuels. It overlooks the fact that carbon pollution is a global problem, and taxes Canadian consumption of hydrocarbons only. However, as global citizens we should tax Canadian consumption of any good or service, no matter their origin. For example, consider the GHG-producing inputs necessary to produce the steel, the plastic, rubber, and electronics to make a modern car. A GST-like tax would impose an environment tax on any taxable good, no matter where such goods are manufactured. A GST-like tax would capture all carbon inputs from any sources, domestic and imported.

3. What would we do with all the additional taxes that would be collected?

At a rate of 5%, the current GST brings in about 12% of the federal government’s annual revenues of some $325 billion, or $39 billion. At a rate of 1%, the environmental tax might bring in some $7.8 billion annually. My suggestion would be to use these funds to achieve the maximum possible GHGs in the shortest possible time. How would we do that? We could do that by investing the funds to accelerate the conversion of Canada’s fleet of some 370,000 heavy-duty class 8 trucks to operate from diesel fuel to liquefied natural gas (LNG), in cooperation with large fleet operators. Obviously, there would be numerous alternatives to spend on carbon-reducing initiatives – I am merely suggesting one option for action. One method that I would favour is the subsidization of LNG fuel, rather than cash subsidies for conversions. The cost of subsidized LNG fuels should be low enough to persuade operators to pay for the high cost of diesel conversions, and should avoid wasted taxpayers’ money if converted trucks were to be sold or scrapped.

Subsidizing LNG would create numerous sizeable industrial and commercial benefits, such as producing the LNG in the first place, transporting it to distribution outlets yet to be constructed along the nation’s highways, and putting in place the capacity to perform high volumes of truck conversions. In addition to the thousands of jobs and new skills would be created, reduced consumption of diesel fuel would result in improvements in air quality in those areas that are subject to heavy volumes of traffic of diesel-powered trucks. Later, LNG subsidization could be applied to other domestic modes of transportation, such as marine transportation and rail.

The above proposal represents a suggestion to actively achieve measurable reductions in CO2 emissions. In the overall scheme of things, reducing class 8 truck emissions will not cause Canada’s CO2 reduction targets to be met, but they are a good start, and will focus attention on action, rather than talk or creative PR. Following implementation, better qualified individuals will undoubtedly propose other practical solutions that, taken together, will achieve real progress toward reducing carbon emissions. Let’s start doing!

In conclusion

The present carbon tax is an additional burden on business enterprises. In addition, the cost of public administration of this new programme will be considerable, particularly in light of reports that are currently circulating about the archaic state of government computer systems and software. Bolting the new tax onto the existing GST infrastructure is simple, will not be an incremental administrative cost to businesses, will not overtax dilapidated government computer systems, and will not require the hiring of any new government employees or contractors. In addition, because businesses are able to pass the tax on to the next buyer in the value chain, the ultimate cost of the tax is borne by the final user of the product or service.

Applying the carbon tax as a bolt-on GST tax will capture ALL taxable products and services sold in Canada from anywhere in the world, rather than just taxing Canadian carbon inputs. Global warming is a global problem, and any product or service we buy involves the purchase of carbon inputs, directly or indirectly, regardless of the point of origin of the product or service. Taxing all taxable products and services purchased by ultimate consumers is a more equitable way of dealing with the problem, and potentially raises a lot more money to be spent on pro-active environmental action.

The idea of returning carbon taxes collected to individual citizens and businesses is a bad idea that will cause individual citizens to do exactly the opposite of what government says it wants them to do. Governments need to be consistent in their policies, and returning carbon taxes collected to consumers will confuse them, and encourage them to pollute more. Making consumers pay more through a bolt-on GST tax will make the message very clear that environmental action is expensive, and will need to be paid for by all of us.

A bolt-on GST tax has the potential to raise substantial additional revenues which should be used to help finance the vast sums of money we will need to spend to make our carbon footprint less harmful. A bolt-on GST tax will allow governments of the future to increase revenues substantially, as the government of the day may see fit, with no additional investment in computer systems, or engagement of government employees.

The virtually immediate availability of large sums of new cash as a result of implementing a bolt-on GST tax will cause government to have to find ways of spending the funds responsibly, and in support of efforts to reduce the carbon footprint of Canadians, NOT to be used for general purposes. For years, governments have talked the talk about environmental action, but no meaningful concrete action was taken. Availability of cash will cause governments to start walking the walk. Have sunny days have arrived at last?

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February 24, 2020 • Canadian Sailing • 67
Supply chain disruption in China is easing alongside an apparent slowdown in the spread of Covid-19. However, more congestion and capacity shortages are still expected.

On February 20 China reported the fewest new cases since the city of Wuhan went into lockdown on 23 January, according to the *South China Morning Post*. The flu-like illness has killed 2,118 people on the mainland, with 74,576 confirmed cases. Stefan Holmqvist, Managing Director of Norman Global Logistics Hong Kong (NGL), said the “on the ground” supply chain situation in China was improving. “I think we’ve turned a corner, and operations are returning step-by-step,” he told *The Loadstar*. “Except for Hubei province, businesses and transport are gradually returning.”

Nationwide transport limitations and 14-day quarantine on returning workers has kept many factories closed or at limited capacity. But NGL estimates 80 per cent of factories have reopened in some capacity in Tianjin, Dalian, Shanghai and Qingdao and up to 50 per cent production in Guangzhou and Shenzhen – but the majority of production in Ningbo is still offline. “We expect the capacity for deliveries from Chinese factories will remain low during the remainder of February,” Mr. Holmqvist said. “The main limits on transport are the road closures and the limited capacity of truckers, but it’s improving day by day.”

With so few truckers moving cargo through China’s container terminals, yard density has reached “critical levels”, and with little cargo to collect, shipping lines have withdrawn more than 1.67 million TEUs of export capacity from China services since the lunar New Year holiday, according to Alphaliner.

Congestion at China’s airfreight hubs will be another challenge, said Mr. Holmqvist, adding: “Import warehouses at the main airports have been very congested due to cargo arriving and many importers not available to arrange pick-up. “The situation is expected to improve in the coming weeks, as importers return to operation, but freight capacity is limited after more than 40 airlines reduced or suspended passenger flights, cancelling belly-hold space. Freighter aircraft will return to the market and increase capacity once factories are back in operation.”

China-Europe rail freight has been consistently touted as a viable alternative for shippers throughout the crisis. However, while trains are running – albeit with reduced frequency – Mr. Holmqvist said the road closures and limited number of truck drivers was disrupting container positioning here too. “Many cities only accept local licence plate trucks to operate within cities,” he said. “Several receiving stations, like Shanghai and Ningbo, are limiting cargo. “Pick-up for rail services within the south China region, Fujian and Guangdong province, is working with reasonably normal function, but with higher trucking costs, and pick-up from the eastern regions, Jiangsu and Zhejiang provinces, is still limited and also at a premium cost due to reduced capacity.”

Mr. Holmqvist said he expected train services to resume normal schedules from the second week of March, but with high demand and limited space available.

*Reprinted courtesy of The Loadstar (www.theloadstar.co.uk)*
Covid-19 may be costing container shipping lines $350 million every week

BY MIKE WACKETT

Ocean carriers could be losing up to $350 million of revenues every week, due to the coronavirus crisis. The 2M alliance partners, Maersk and MSC, confirmed two further void sailings from North Europe to Asia – a knock-on effect of a raft of headhaul blankings which have threatened to stymie the supply chain for European exporters. 2M officially withdrew its AE2/Swan eastbound loop, with the Marseille Maersk vessel advertised to start loading in Felixstowe on 17 February, and the AE6/Lion stemmed to commence loading in Antwerp on 26 February.

And in a further development, The Loadstar has learned of part-loaded ships being held in Europe rather than sailing east to join the backlog of vessels awaiting a demand pick-up in China after the extended lunar holiday, again due to the coronavirus outbreak. Maersk’s customer advisory said it would endeavour to “minimize the impact on your business” by arranging “alternative coverage solutions within our network”. This would be advised as soon as possible, added the carrier.

A source at Felixstowe told The Loadstar liner schedules were in “total disarray”, because of the problems in China. “Every day we are deleting vessels from our forward schedules,” she said. “We could be in for a very lean period here if things don’t get going again soon.”

Meanwhile, maritime analyst Sea-Intelligence said the “rapid mass cancellation of additional sailings” from China was likely to cause capacity shortages for backhaul shippers three to six weeks into the future, depending on geography. It recommended export shippers to Asia to “prepare not only contingency plans for potential capacity issues, but also for significant price spikes”. The analyst sees a parallel to the situation in April 2017, when there was a substantial realignment of the shipping line alliances, leading to a sharp reduction in effective capacity available to backhaul shippers. Spot rates for 40ft boxes from Rotterdam to Shanghai leaped from around $500 to $2,000 in some instances as European exporters scrambled to secure space. Moreover, The Loadstar heard from a number of large-volume shippers who complained bitterly that carriers were “holding them to ransom”, with rate hike demands, despite contract rates.

As of last Friday, Sea-Intelligence reports, ocean carriers had blanked an additional 32 headhaul sailings, directly related to the disruption in demand from the coronavirus outbreak, consisting of 21 void sailings on the transpacific and 10 pulled voyages from Asia to Europe.

On the transpacific, this amounts to 198,500 TEUs of capacity taken out, on top of the 61 sailings blanked to mitigate the impact of the anticipated soft demand after the Chinese new year holiday. For Asia to Europe, the additional capacity withdrawn equates to 151,500 TEUs, according to Sea-Intelligence data, bringing the number of void sailings to 54. Sea-Intelligence estimates that the export demand shortfall from China is running at some 300-350,000 TEUs a week. In terms of lost revenue to the liners, Sea-Intelligence calculates that this could be running at an alarming $300-$350 million per week – assuming an average rate of $1,000 per lost TEU.

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Covid-19 outbreak may cost China’s ports six million TEUs in Q1

BY GAVIN VAN MARLE

The Chinese government’s decision to extend the New Year holiday to 9 and 10 February, as it battles to contain the coronavirus outbreak, could lead to a 0.7 per cent decline in global port throughput, according to new analysis from Alphaliner. The consultant says the reduction of China’s factory output as a result of the extended holiday is likely to lead to Chinese ports losing some 6 million TEUs in volumes in the first quarter.

“The full impact of the Chinese coronavirus outbreak on container volumes will not be fully measurable until ports announce their throughput numbers for the first quarter, but data collected on weekly container vessel calls at key Chinese ports already shows a reduction of over 20 per cent since 20 January,” it said. It added that volumes were unlikely to rebound immediately after the end of the holiday, due to a raft of void sailings announced by carriers – largely in response to the expected slack season, but also as the coronavirus infection rate has worsened.

“On top of service reductions
announced earlier, carriers reacted to the situation with additional void sailings in February, thus accounting for reduced cargo volumes. “Since these extended void sailing programmes on longhaul services are slated to continue until mid-March, any cargo volume recovery could be negatively affected even after the end of the holidays,” Alphaliner noted.

Meanwhile, today’s Freightos Baltic container freight rate index (FBX) reports a minimal effect on deepsea rates out of China and also notes the high number of void sailings scheduled to coincide with the Chinese new year. “China-US freight rates have yet to show the impact of the crisis, likely because carriers had announced record blank sailings through early March even before the outbreak and because rates are already quite depressed, down 26 per cent compared to last year,” said Freightos chief marketing officer Eytan Buchman.

Today’s transpacific FBX from China to the US west coast was recorded at $1,509 per FEU, down just 1 per cent from last week. However, rates from China to Europe fell significantly on last week. “Low demand on Asia-Europe lanes due to closed factories and disrupted labour in trucking, warehouses and ports, caused a sharp rate drop of 14 per cent since last week, with some carriers announcing additional blank sailings on Friday in response. This reaction could be a sign of things to come for US lanes in the short term. “But as manufacturing and shipping would, in any case, be minimal over the holiday season, the impact of the crisis so far is difficult to measure. Once the factories come back online, it is likely that rates will increase in response to backlogged demand.

“But the impact on rates will depend on how long the closure lasts, how quickly factories can make up the lost production and how widespread disruptions in trucking and warehouse labour will be,” Mr. Buchman added.

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Covid-19 causes Europe-China air freight traffic to surpass China-Europe for the first time

BY ALEX LENNANE

Europe to China and Hong Kong air freight load factors have overtaken China to Europe for the first time, according to new data. Dynamic load factor information from Clive Data Services to 9 February shows a massive reduction in the imbalance between Europe/Middle East and Hong Kong.

The route to and from mainland China also saw eastbound overtake westbound, although as China is a stronger import market than Hong Kong, there is normally less of an imbalance. Dynamic load factors were 80 per cent from EMEA to China, while westbound they fell to 59 per cent.

Load factors remain high because of the dearth of capacity. “This situation is exceptional,” said Niall van de Wouw, Clive’s Managing Director. “It shows the magnitude of the crisis. The substantial reduction in capacity was still outpaced by the reduction in volumes. But this is logical, given what is going on.”

Freightos suggested that “massively reduced air cargo capacity will likely also lead to a spike in air rates”. But it also noted that US importers were now seeking new markets for goods.

“Marketplace data suggest that among US importers, Covid-19 has intensified a trend that was started by the trade war: importers are increasingly looking for regional suppliers other than China. The share of searches for countries other than China has climbed to more than 17 per cent so far this month, up from less than 8 per cent a year ago,” it said.

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Compliance with IMO 2020 – shipowners’ worst fears materializing

BY MIKE WACKETT

The run-up to IMO 2020 is proving far from smooth sailing for shipowners, whether they opt for compliance through using low-sulphur fuel (LSFO) on their vessels or by investing in scrubber technology.

Scrubber retrofits are taking longer and costing more than expected, throwing liner scheduling into confusion and resulting in tramp fixture cancellations, according to the Exhaust Gas Cleaning Systems Association (EGCSA). “A meteoric rise in orders and a global concentration of marine conversion work in China’s shipyards has resulted in broken promises and a rethink of decisions,” it says.

Indeed, anecdotal reports to The Loadstar suggest some container lines have been left without adequate cover for secondary tradelanes when current replacement charters expire and extension options are not available. “We have had a couple of ships sitting outside the yard in China for weeks now,” a carrier source told The Loadstar. “We still do not know when we will get started on the retrofits and our original plans to phase the ships back into the network have gone out of the window.” And one broker said “he had given up” working on charters for one particular ship as the availability of the vessel kept changing.

Meanwhile, there are also concerns for ships that will run on LSFO from January 1. “Many ships will only switch to compliant fuels a week before year-end, and have no experience with them,” said the EGCSA. And it added that for vessels that have already switched, there were reports from ship’s officers highlighting concerns over fuel quality and, in particular, fuel stability.

“Time will tell if concerns are justified,” wrote the association. “Not much comfort for a ship’s master handling his or her ship through a winter North Atlantic force 10 gale.”

Moreover, it added, “the level playing field is at risk from distortion through lack of comprehension and consistent enforcement of IMO sulphur cap”.

EGCSA said many administrations had not yet processed their legislation or completed inspection and enforcement training, enabling rogue operators to flaunt the 0.5 per cent sulphur cap by bunkering with cheaper heavy fuel oil (HFO) even though scrubber systems have not been installed, and thus gain a competitive cost advantage over competitors.

Belatedly, IMO said it was ready to support port state controls with their efforts to enforce the new sulphur cap, in regard to capacity and training. “Specific training to support PSC for the implementation of MARPOL Annex VI could be provided,” said IMO, adding that a workshop for port state controls would be convened in the new year to “promote harmonization of enforcement measures”.

EGCSA is clearly not impressed with IMO’s handling of the enforcement concerns raised by its member states, saying the entry into force of IMO 2020 had “not been a glittering success”. “The class teacher’s end of term report would say ‘maritime has worked hard all year but needs to work smarter. Must do better if ambitions are to be achieved’.”

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Are carriers boosting low-sulphur fuel surcharges to make up for low rates?

BY MIKE WACKETT

Low-sulphur surcharges announced by ocean carriers on 1 December show “significant variations”, even within alliances, according to Alphaliner analysis. Carriers appear to have succeeded in passing on most of the perceived cost implications of IMO 2020 to the spot market and short-term shipper contracts, but the consultant questioned the lack of transparency in setting the surcharges. “The wide variations in the new fuel surcharge and lack of complete transparency on their calculations is bound to fuel shipper concerns of overcharging by carriers to compensate for lower freight rates,” it said. Indeed, the Alphaliner analysis could find no evidence of a relationship between the surcharge and the relative efficiency of the carriers, based on the
Anger at ‘bureaucratic’ IMO’s ‘lack of urgency’ on cleaning up shipping

BY MIKE WACKETT

IMO has decided on a goal-setting approach by member states to decarbonize shipping, rather than progress the proposals put forward by some members for a mandatory speed reduction on vessels. The strategy not to opt for speed restrictions has angered the members of the Clean Shipping Coalition (CSC) who blasted IMO for its “bureaucracy” and “lack of urgency”. An IMO working group agreed to a draft text that will be put forward to the next Marine Environment Protection Committee (MEPC) meeting in March. The text urges member states to develop and update a voluntary national action plan, which includes an improvement in the domestic and legislative implementation of existing regulations and a commitment to develop activities to further enhance the energy efficiency of ships, along with initiating the research and the uptake of alternative low- and zero-carbon fuels.

IMO said that during the working group sessions “a number of proposals were discussed”, including an Energy Efficiency Ship Index (EEXI), mandatory power limitations on ships, measures to optimize voyage speed, and speed limiters.

According to the UK Chamber of Shipping, “after lengthy discussions it was clear that there was no appetite for prescriptive speed reduction regulation”. However, the UK Chamber, which is against the implementation of speed restrictions on shipping, arguing among other things that it would require more ships to be built with ‘old’ technology to take up the slack, said there was a “positive outcome” from the meeting. Shipping policy director Anna Ziou said: “The progress made sets the right direction of travel and is a good foundation for IMO’s work to put the strategy into action.”

Meanwhile, the CSC said measures were “urgently needed” if IMO’s plan, agreed in April last year to half emissions from shipping by 2050 was to be met. Bill Hemmings, shipping director of
CMA CGM-IKEA trial shows bio-fuel can be a green solution for shipping

BY GAVIN VAN MARLE

CMA CGM and Swedish home furnishings giant IKEA have completed a trial shipment of goods using a vessel powered by bio-fuel. On a voyage between Asia and North Europe, 16,000 TEU CMA CGM Alexander van Humboldt was powered by heavy fuel oil-equivalent bio-fuel oil (BFO), which is claimed to be “virtually SOx-free and delivers 80-90 per cent well-to-propeller CO2 reduction versus fossil equivalents”. The project was part of the multi-party GoodShipping Programme, dedicated to making container shipments less polluting, which also includes DHL Global Forwarding as a partner. “We are pleased to conclude that this pilot has been successful and that it has been proven possible to use advanced bio-fuel oil on oceangoing vessels,” said Elisabeth Munck af Rosenschöld, head of sustainability at IKEA global transport & logistics services. “It is only through collaboration and partnerships between major players, including cargo owners, ship operators and solution providers, that we can achieve real change at fast pace.

“We need a diversified portfolio of solutions to achieve our ambitious emissions reduction targets – and marine biofuels are an important part of the puzzle going forward for our sector,” she added. BFO is also a so-called “drop-in fuel”, which means no modification is needed to vessel engines or fuel infrastructure, and is a blend of waste cooking oil and forest residues sourced from Europe.

“Forest residues are industrial waste streams from paper and pulp production. Most wood waste streams are currently used to co-fire power plants and upgrading this waste into advanced low-carbon marine biofuels, replacing heavy fuel oil, is considered a more sustainable and economical use of the waste product,” said BFO supplier GoodFuels.

Xavier Leclercq, Vice-President of CMA Ships at CMA CGM Group, said: “These landmark trials give the maritime sector a vital demonstration into the scalability, sustainability and technical compliance of marine bio-fuel oil, confirming CMA CGM’s leading role in the energy transition of the industry.”

Dirk Kronemeijer, GoodShipping Programme Chief Executive added: “The success of this test programme builds further evidence of the important role that bio-fuel oil will play in the marine fuel mix, and proves that initiatives already exist on the market for cargo owners to realize their decarbonization goals. “The programme is committed to helping more cargo owners unlock the potential of this direct decarbonisation option in the near future, as our sector continues to establish and embrace its wider carbon reduction efforts.”

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CMA CGM currently the only ocean carrier interested in LNG to power box ships

BY MIKE WACKETT

CMA CGM shortsea subsidiary Containerships has received its fourth LNG-powered vessel, 1,380-TEU Containerships Arctic. The vessel will bunker with approximately 200 tons of LNG at Rotterdam and will be deployed on the intra-European carrier’s Baltic service after a period covering for CMA CGM on its Baltic feeder service network. The vessel joins its three sister ships, Containerships Aurora, Containerships Nord and Containerships Polar, with the final two in a series of five yet to be confirmed by the carrier.

The Finnish container line had placed orders for the LNG ships prior to its acquisition by CMA CGM in June 2018, but the strategy was fully supported by the new owner, which has decided to go down the same route with an order of 20 LNG-fuelled ships, including nine 23,000-TEU ULCVs. The first of these, French-flagged 23,000 TEU CMA CGM Jacques Saade, named after line’s founder, was launched in September and is claimed to reduce emissions of sulphur oxides and fine particles by 99 per cent, compared with current marine fuel options. However, other carriers have yet to follow CMA CGM’s LNG-fuelled strategy, citing continued concerns over the infrastructure to support its bunkering. And for existing vessels, retrofitting is not a viable option.

Even for so-called LNG-ready ships, converting the vessels to run on the gas is a very expensive and time-consuming operation, as Hapag-Lloyd has found to its cost. The German carrier inherited 17 LNG-ready ULCVs from its merger with UASC but it has only decided to have one of these ships converted to LNG on “a trial basis”. Chief Executive Rolf Habben Jansen told The Loadstar in 2019 that a “ballpark figure” for the conversion of 15,000 TEU Sajir was $25 million, but it is understood that the final figure has exceeded $30 million. Subsequently Mr. Habben Jansen confirmed that there were no plans to retrofit any other UASC vessels.

Elsewhere, MSC, which plans to have about half of its fleet fitted with scrubbers in order to comply with IMO 2020, said LNG was “not a viable option”. At the Hanse Forum in Hamburg last November, MSC’s Executive Vice-President, Maritime Policy and Government Affairs, Bud Dar, said the carrier would not be investing in LNG for any of its containerships due to the limited amount of LNG bunkering facilities available at ports around the world. Nevertheless, MSC is not totally against LNG as a fuel option, evidenced by the recent delivery from a French yard of an LNG-powered mega cruise ship – the first of five on order.

Indeed, a study this year, commissioned by the not-for-profit industry foundation SEA/LNG, claimed LNG was the “most environmentally friendly, readily available fuel for shipping today – and in the foreseeable future”. Meanwhile, MSC, Maersk, CMA CGM and others are focusing their research and development on finding a sustainable alternative for fossil fuels and are reporting some limited success. This is, however, proving a drag on new orders as carriers are reluctant to commit to technology that could be out of date by the time the newbuild vessels are delivered in two to three years’ time.

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Ocean carriers’ online carbon calculators are ‘useless’, says report

BY MIKE WACKETT

Ocean carriers have been stung by a Sealintelligence report which branded their online CO₂ calculators as “useless” and “pointless”. The Copenhagen research firm claimed they were “riddled with absurdly poor data”, citing, among other things, inconsistent sailing distances being quoted by different carriers for the same ship.

Most of the world’s biggest container lines, along with many major forwarders and shippers, are members of the Clean Cargo Working Group (CCWG), a not-for-profit carrier-shippers initiative dedicated to improving the environmental performance of container transport through measurement, evaluation and reporting. The members use CCWG calculation methodology as the basis for their CO₂ calculators.

CCWG published its most recent report on vessel emission
data, for 2018, in October, compiled from CO2 emissions data reported by 3,200 ships from 17 shipping lines, including Maersk, MSC, CMA CGM, Cosco, Evergreen and Hapag-Lloyd. It reported that since 2015, CO2 emissions per container had fallen by 9.6 per cent, which it said indicated that the industry was “making progress” towards meeting the target set by IMO of halving CO2 emissions from shipping by 2050.

However, pressure is growing on shippers, logistics providers and container lines to show their customers and investors evidence of their commitment to “responsible operations and reducing their carbon footprint”.

Indeed, as well as the CO2 calculators rolled out by the carriers, forwarders have adopted similar models using CCWG methodology, with Kuehne + Nagel (a CCWG member) for example, having included the CO2 emissions generated by sea freight on its invoices to customers since 2017.

OOCL – its online CO2 calculator was analyzed by SeaIntelligence – said its “data collection process, as well as the accuracy of the research and methodology”, had been verified by ABS Consulting, an affiliate of the American Bureau of Shipping (ABS) in conjunction with the Hong Kong Polytechnic University (Department of Logistics and Maritime Studies). However, the Cosco subsidiary has said that the calculations generated by its carbon calculator “should be used at your own discretion”, suggesting a user make contact “if in doubt of the calculations”.

A spokesperson for Hapag-Lloyd explained that, to some extent, carriers were caught in a paradox. “The majority of eco-calculators in the market are based on a third-party solution and tradelane data, which unfortunately do not reflect individual utilizations and other more specific vessel information. Therefore, it can only give users an indication about CO2 emissions based on averages and market data.”

Carriers privately admit there is “a lot more tweaking to be done” on their online CO2 calculators. Indeed, Maersk told The Loadstar today that currently it did not offer one.

Another carrier told The Loadstar its online CO2 calculator should only be used as a guide to track the carbon footprint of a shipment. “I would suggest that any carrier or actor in the supply chain would, if they were being honest, say the same.” it added.

In a LinkedIn post, Paul Woodall, Director, Environment & Sustainability at DFDS, added: “The problem originates from the fact that making such calculations is far from easy, trust me, I try this every day. It is all based on the assumptions you apply; you can get any figure you like and you can even prove it has been calculated correctly.”

Meanwhile, another carrier source said that there were just “too many variables” that go into the design of the calculator to make the “estimate real”, but accepted that carriers should at least be able to get the transit distance for the shipment correct.

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Shipping unveils 10-year $5 billion research and development plan to cut GHGs

BY GAVIN VAN MARLE

A coalition of global shipping associations and lobby groups have submitted a joint proposal to International Maritime Organization (IMO) for a 10-year research & development (R&D) project to develop new technologies to reduce the industry’s greenhouse gas emissions.

The promise of a combined $5 billion over the next decade into the programme would be levied via a $2 per tonne global tax on fuel, according to a joint submission delivered to IMO yesterday.

“The co-sponsors propose that core funding would be provided via a mandatory R&D contribution per tonne of fuel oil purchased for consumption which will be necessary to maintain an appropriate level of funding and to maintain fair competition between shipping companies,” the submission document said.

It added that the industry groups believed that this scale of investment would result in the development of zero-emission vessels by 2030 – a date commonly accepted as being a critical juncture if the industry is to reach IMO’s GHG emission goals by 2050.
“The co-sponsors propose that core funding of approximately $5 billion over the life of the programme would fundamentally alter the current level of investment in maritime R&D focused on the development of low-carbon and zero-carbon technologies. “An effort of this scale is expected to be successful in identifying one or more technical pathways that can lead to the introduction of zero-emission vessels across the maritime sector by 2030 and beyond,” it said.

IMO’s targets include a 50 per cent cut in the sector’s total GHG emissions by 2050, which will effectively require a carbon efficiency improvement of up to 90 per cent. “Meeting IMO GHG reduction goals will require the deployment of new zero-carbon technologies and propulsion systems, such as green hydrogen and ammonia, fuel cells, batteries and synthetic fuels produced from renewable energy sources. “These do not yet exist in a form or scale that can be applied to large commercial ships, especially those engaged in transoceanic voyages and which are currently dependent on fossil fuels,” liner lobby group IMRB suggests alliance partners, have opted for scrubber programmes, they have been obliged to seek out last-minute scrubber retrofits in a market that Hapag-Lloyd admitted was “already sold out”. However, ONE, which suffered a $600 million loss in the first year as the merged container businesses of K Line, MOL and NYK, decided on a single strategy of LSFO for its fleet. Indeed, the only reference to scrubbers appears in the carrier’s Q2 results commentary, “action plans”, in which ONE refers to the installation of scrubbers as “under study” for some of its larger ships.

Significantly, ONE’s accounts assume that the entire additional cost of compliance of IMO 2020 will be met by its customers via its OBS (one bunker surcharge) mechanism. However, Alphaliner suggests ONE will enter 2020 at a cost disadvantage to its liner peers, “exposed to the higher cost of low-sulphur fuel, due to its reluctance to move ahead with scrubber orders”.

Meanwhile, carriers have begun to roll out additional low-sulphur surcharges, effective 1 December, to cover the expected $200 per ton price difference between LSFO and HFO. Interestingly, these will apply regardless of whether or not ships deployed on the services have scrubbers fitted.

Reprinted courtesy of The Loadstar (www.theloadstar.co.uk)
Open-loop scrubber ban spreads: ‘a pain, but we can live with it’, say carriers

BY MIKE WACKETT

Malaysia has become the latest state to ban the use of open-loop scrubbers for ships operating in its waters, increasing the number of ports around the world they cannot enter to more than 80. The website of Malaysia’s maritime department, Jabatan Laut Malaysia, says ships are prohibited from discharging the washwater, used by exhaust gas cleaning systems to remove the sulphur from heavy fuel oil (HFO), back into the sea. Ships are advised to change to [IMO 2020] compliant fuel oil or to close loop systems before entering Malaysian waters (12 nautical miles from the nearest land) and ports, it adds.

Around 80 per cent of the scrubber systems installed on ships so far are open-loop. Closed-loop systems retain the washwater on board for discharge at a land-based facility. There are also a limited number of hybrid designs being installed that can switch between the two systems, although these are some 30 per cent more expensive than open-loop scrubbers.

At a presentation in Ghent, Belgium, to mark the 10th anniversary of the use of scrubbers by Danish ferry operator DFDS, Capt Mike Kaczmarek, Vice-President of Carnival Corporation and chairman of the Clean Shipping Alliance (CSA), a pro-scrubber lobby, said CSA was “actively engaging” with port authorities over their concerns about the use of open-loop scrubbers. He noted that of the more than 80 restrictions on the use of open-loop scrubbers in ports, there were 32 in France, seven in California and included all the main Chinese ports. In addition, he said, there were “voluntary” restrictions in place at all the ports in Alaska, at Hong Kong and in Boston in the US. Mr. Kaczmarek claimed the ban on open-loop scrubbers had been enforced by port authorities after “very little hard research”, many admitting they had decided to prohibit their use on the back of bans by other ports.

To date, six independent studies, including research and consultant CE Delft, have sought to prove that the use of open-loop scrubbers was a “safe and effective means of complying with IMO 2020”, but CSA found getting this message across was a challenging task. Indeed, Paul Holthus, President and Chief Executive of the World Ocean Council, told delegates at the Shipping 2030 Asia conference in September that the case for open-loop scrubbers was struggling. “There is a big issue with the public perception of open-loop scrubbers, so the scientific data gets lost in the discussions,” he said. However, one vessel operations manager of a container line that has invested in an extensive scrubber programme for its fleet, described the port bans on open-loop scrubbers as “an irritable, but not a major problem”. He told *The Loadstar*. “We are used to having to switch tanks to marine gas oil when we hit the SECA [sulphur emission control area] regions, so having to do this next year when we get into, say, Chinese waters is no different. “It’s a pain, but we can live with it as the bulk of the voyage will still take place on HFO, and that will save us a fortune,” he said.

Reprinted courtesy of *The Loadstar* (www.theloadstar.co.uk)

Scrubber pioneer MSC the worst-hit by delay as ships queue at yards for retrofitting

BY MIKE WACKETT

Another containership fitted with an exhaust gas cleaning system (scrubber) is added to the global fleet every 10 hours, according to Alphaliner data. However, the race to get scrubbers retrofitted has resulted in a significant extension of the budgeted downtime for many vessels. Some vessels are taking up to 100 days to be equipped as queues grow at yards.

Despite its early proactive stance on scrubbers as a cost-effective option to comply with IMO’s 0.5 per cent sulphur cap, second-biggest carrier MSC has seen its ship planning severely disrupted by the delays. “MSC has been the most badly affected, with at least 15 of its ships clocking yard stays of over 80 days,” said the consultant.

“The yard delays are also causing severe congestion, with at least five MSC ships waiting for up to eight weeks to enter repair yards, those in the Zhoushan region in China especially congested in the last two months.” A source within MSC told *The Loadstar* recently its planners were “pulling their hair out” at “the lack of visibility” on when ships would return to the network. “Unlike the ports, kicking [repair yards] doesn’t seem to work, which is very annoying as we were one of the original pioneers of scrubbers. But now everybody has jumped on the bandwagon, it has caused chaos,” he said. “These guys have clearly oversold their product and suckered-in shipowners and carriers with over optimistic predictions on redelivery times,” he moaned.
For the larger ships, Alphaliner estimates the cost of vessel downtime for carriers could be as much as $50,000 a day, severely denting the operational budgets of the container lines in Q4 and the first quarters of 2020.

MSC and some of its pro-scrubber peers are having to bear the “pain” of these costs now, but they will look to recoup this and the cost of the scrubber system itself in a relatively short time, providing the “spread” between current industry staple HFO (heavy fuel oil) and LSFO (low-sulphur fuel oil) remains at around $250 per tonne.

Carriers are also having to dig deeper into their pockets to secure replacement charter tonnage. And with the larger sectors “sold out”, carriers are extending current charters for periods of up to five years, which was virtually unheard of just 18 months ago. In fact, Hapag-Lloyd recently extended the charter of two 11,000 TEU Navios-owned vessels by four years and eight months at a daily rate of $27,300. This was twice the hire rate paid by Maersk for the ships two years ago, but less than the $35,000-$40,000 ships of this size can currently command.

Leading scrubber lines, such as MSC and Evergreen, are looking for cover to take them well into next year. “For carriers with substantial scrubber programmes, periods of 12 months allow the planners to fill the sailing gaps left by the successive withdrawals of ships for scrubber retrofits until the second half of 2020,” said Alphaliner.

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THE Alliance formally adopts HMM as a new member and boosts ‘contingency fund’

BY MIKE WACKETT

THE Alliance members have filed an amended version of their vessel-sharing agreement (VSA), to incorporate new member HMM, with the US Federal Maritime Commission (FMC), according to Alphaliner. It will also include provision for an increase in its $50 million contingency fund from a significant financial commitment from the South Korean carrier. HMM will join THE Alliance on 1 April, after its slot charter agreement with the 2M Alliance comes to an end. Until then it is purchasing Asia to North Europe slots from current partners Hapag-Lloyd, Yang Ming and ONE to cover VIP customers using its standalone loop, which was terminated last August.

Apart from its ‘strategic cooperation’ space agreement with the 2M for both Asia to North Europe, the transpacific and the transatlantic, HMM also operates three transpacific services of its own.

According to the consultant, the amended agreement submitted to the FMC only mentions 168 vessels of 3,000-15,000 TEUs, compared with the existing agreement without HMM, which is for 180 ships of up to 21,000 TEUs.

However, the new VSA submission allows the four carriers to adjust the number to 200 ships with a maximum capacity of 24,000 TEUs to include the twelve 23,000 TEU ULCVs HMM will receive in 2020.

In addition, HMM will receive eight 15,000 TEU newbuilds in 2020 and 2021, plus nine 10,000-13,000 TEU vessels redelivered by Maersk and MSC when the 2M agreement ends, and notwithstanding that it might decide to redeliver some of its chartered-in tonnage, this will take HMM’s TEU capacity to more than 700,000 by June. This means the carrier will leapfrog new alliance partner Yang Ming into eighth place in the global carrier league table – albeit that the Taiwanese line has an order book of some 200,000 TEUs that should see it regain its ranking.

With the exception of the profitable leading line, Hapag-Lloyd, THE Alliance
has struggled financially, compared with the better returns earned by members of the rival Ocean and 2M alliances. The third quarter saw Japan’s ONE return to the black after thumping losses in its first year, but Yang Ming still posted a net loss for Q3 of $30 million.

However, HMM’s continuing losses dwarf its peers: in Q3 the carrier posted a net loss of $147 million, its 18th consecutive quarter in red ink. THE Alliance was the first VSA grouping to include a ‘contingency fund’ in its FMC filing in 2017 which was lauded by then FMC commissioner, William Doyle, who said that it was “important that another Hanjin debacle does not happen”. Hanjin Shipping went into receivership on 31 August 2016 with some $20.5 billion in creditors and a £2.4 billion debt. The group remains firmly committed to the contingency fund as part of the terms of its acceptance into the grouping.

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Cash-strapped CMA CGM to sell terminals and ships despite Q3 profit

BY MIKE WACKETT

CMA CGM posted a $45 million net profit for the third quarter, reducing the French transport and logistics group’s nine-month loss to $107 million. The number of containers carried in Q3 rose by an above-market 5.1 per cent over the same quarter of 2018, to 5.5 million TEUs, which it attributed mainly to growth from its shortsea business, including the integration of Containereurs. However, excluding CEVA Logistics revenue, turnover fell 3 per cent, to $5.88 billion, as freight rates came under pressure.

The forwarding arm continued to operate in the red, and CMA CGM said: “The group remains firmly committed to returning CEVA Logistics to sustainable and structural profitability, thanks to the wide variety of measures and investments undertaken since the acquisition closed.” However, it added that “due to the challenging environment in certain industrial sectors”, it was obliged to push back its previously announced profitability targets for the forwarder by two to three years, to 2023/2024.

In order to improve its heavily leveraged balance sheet, CMA CGM said it planned to raise $2 billion from the sale of container terminals and the sale and leaseback of some ships. It intends to sell ten terminals for $968 million to Terminal Link, a joint venture with China Merchants in which it holds a 51 per cent stake. Terminal Link will finance the purchase through “a capital increase of $468 million subscribed by China Merchants” and a loan from China Merchants, “that in eight years will be converted into a capital increase subscribed by CMA CGM”. The transaction is subject to antitrust and other regulatory approvals, but CMA CGM expects it to close in the spring.

CMA CGM said it would raise a further $860 million from the sale and leaseback of vessels, but it did not specify the ships involved or the contracting parties. One broker The Loadstar contacted said he had heard rumours about the deal, which he said would “almost certainly” increase the carrier’s ship operating costs. “A lot will depend on what they have agreed on with the charter rates and how long the fixed price is valid for,” he said. “The market is quite strong at the moment so my guess is that could be paying top dollar for the daily hire.”

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CMA CGM Chief Financial Officer Michel Sirat said the company expected market conditions to be “slightly better next year” and suggested IMO 2020 low-sulphur regulations would restrict supply and support higher freight rates. He said the carrier would look to pass on to shippers around $150-$200 per container to cover the extra cost of having to buy low-sulphur fuel.

On the subject of the asset sales, Mr. Sirat said no other divestments were planned in the short-term. “We have a lot of assets and we will use them fully,” he said.

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Zim reports ‘improved’ results in Q3 as VSA with 2M continues to pay dividends

By Gavin Van Marle

Israeli container shipping carrier Zim reported it overcame a marginal decrease in volumes in the third quarter to post a net profit of $5 million, which is a significant improvement over the $6.6 million net loss recorded in the same period last year. The line said it carried 725,000 TEUs in Q3, a 0.7 per cent year over year decline on the third quarter of 2918, when it carried 730,000 TEUs. However, revenues were up 0.2 per cent year over year to $842 million, on the back of a 0.3 per cent increase in average freight rate to $1,009 per TEU. For the nine-month period, revenues were $2.47 billion, a 3.2 per cent year-over-year increase while volumes declined 3.5 per cent to 2.12 million TEUs.

However, in terms of average freight rate, Zim bucked the market trend with a 6 per cent increase to $1,007 per TEU, compared with $950 per TEU in the same period last year. Chief Executive Eli Glickman said: “In spite of the challenging market conditions, Zim continued to record improved results in Q3, as it has done throughout 2019. “While the challenges in the market endure, the advantages gained by our global strategic cooperation and our customer focus enable us to pursue our goals and strengthen our position.”

Zim’s latest results appear to show the benefit of its vessel-sharing agreement (VSA) with 2M partners Maersk and MSC, on the Asia-US east coast trade, formed in September last year. During the first nine months of 2019, the VSA was expanded to include the Asia-east Mediterranean, Asia-US north-west and Asia-US Gulf Coast, enabling it to provide its customers “with improved product portfolio, larger port coverage and better transit time, while generating cost efficiencies”. Mr. Glickman added: “Our ongoing efforts in the spheres of customer experience and digitization also bear fruit as we continue to focus on our customers’ needs and push for commercial excellence in all fields.”

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Returning chartered ships makes a dent in Yang Ming results

By Gavin Van Marle

Taiwanese container shipping line Yang Ming reported consolidated third-quarter revenues of NTD37.78 billion (US$1.22 billion) on the back of a 2 per cent increase in volumes to 1.44 million TEUs. However, its operating result was hit “by its strategic decision to not exercise options with respect to certain formerly chartered vessels”. Its net loss for the third quarter was NTD1.38 billion. The company said: “By opting out, the company incurred obligations under the charter parties, which were then recorded as potential impact as mandated by the International Financial Reporting Standards. “The potential
effect of the arrangement was estimated at NTD1.39 billion and lowered Yang Ming’s third-quarter results, which otherwise would have showed a profitable quarter. “Nevertheless, Yang Ming’s cash flow and operations were not affected and the company continues to see encouraging results,” it added. It reported a year-on-year nine-month revenue increase of 9.6 per cent to NTD113.26 billion, while volumes grew 3.8 per cent to 4.07 million TEUs, resulting in a net loss of NTD 3.32 billion, an improvement of 50.2 per cent over the first nine months of 2018.

Since last year, the line has returned 13 “high-cost chartered vessels”, with a further five to be returned next year when it will begin taking delivery of its owned newbuilds, which it said would greatly optimize its operating cost. “Looking ahead, the container shipping market will undoubtedly need to be prepared for continued world economic and trade volatility. However, based on the data collected by Alphaliner, the estimated market demand growth at 2.8 per cent is moving closer to the capacity growth at 3.3 per cent in 2020,” it said.

“Meanwhile, the container shipping market remains vulnerable to trade uncertainties and geopolitical tensions. It is unclear the extent of potential impact those tensions and uncertainties will have on demand. “Despite unpredictable market conditions, Yang Ming has improved its volume and revenue largely due to the efforts of business strategy and competitiveness enhancements,” it added.

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Maersk group sails into the red and warns that Q1 20 will be ‘really weak’

BY MIKE WACKETT

A $61 million loss in Q4 dragged Maersk to an overall net loss of $44 million last year, and the Danish transport and logistics group remains concerned about the impact on all its businesses of the coronavirus outbreak in China.

Top line revenue from operations was down slightly on the previous year, at $38.9 billion, with the contribution from ocean unchanged at $28.4 billion. Liner liftings were also static, at 26.6 million TEUs, and its average rate per TEU was unmoved at $940, despite bringing in IMO 2020 surcharges in Q4.

Chief Executive Søren Skou warned analysts that first-quarter 2020 results would be “significantly impacted” by the coronavirus crisis, but would not be drawn on the extent of the damage, which he said was too early to assess. After more than 50 cancelled sailings from China, Mr. Skou said earnings this month would be “really, really weak”, and that even if production and intermodal recovered quickly, March would be “difficult”.

Nevertheless, Mr. Skou suggested, there could be a “v-shaped recovery” from April that would see a significant spike in demand from the backlog of pent-up orders.

“China’s role in global supply chains is much bigger now than it was when the SARS epidemic happened more than 15 years ago, so today many factories in South-east Asia rely on parts, raw materials or semi-finished goods from China, so we will see. But if we end up with a v-shaped recovery then we could see an overshooting in the later part of Q2,” said Mr. Skou. If necessary, he said, Maersk would deploy extra sailings, sourced from the charter market, to cater for the additional demand.

Mr. Skou also spoke of the challenge of IMO 2020 and recovering the extra costs of having to use low-sulphur fuel from shippers. For the carrier’s spot cargo, which now represent some 50 per cent of its liftings, Mr. Skou said surcharges had been successfully implemented. For contracts, Maersk is about halfway through its negotiations and Mr. Skou said it was a case of “so far, so good” – but he did have some concerns about the remaining contract negotiations, coming in a “weak environment”.

In Maersk’s Terminals & Towage segment, revenue increased by 3.2 per cent to $3.9 billion, with turnover from its gateway terminals up 4.1 per cent to $3.2 billion. But Logistics & Services saw revenue decline, to $6 billion from $6.1 billion the previous year, as the “extraordinary” volumes of Q4 2018 gained from the front-loading of cargo ahead of US tariffs on Chinese goods, were not repeated.

Maersk has announced the $545 million acquisition of US-based warehouse distribution and logistics firm Performance Team which it said formed a “strategic component towards becoming a global integrator”. Maersk said it expected an EBITDA of about $5.5 billion this year, before restructuring and integration costs, but warned that the 2020 outlook was “subject to significant uncertainties”.

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Maersk to maintain its “strong commitment to capital discipline”

BY MIKE WACKETT

Maersk’s cuts in capital expenditure, including its decision not to order new vessels in the next two years, will clear the way for MSC to take over as the top-ranked ocean carrier, according to Alphaliner. And The Loadstar’s sources suggested that this “profit over market share” strategy by the Danish transport group may have contributed to its Chief Operating Officer, Soren Toft, being headhunted by MSC as its new CEO.

During Maersk’s Q3 earnings call, Chief Financial Officer Carolina Dybeck Happe confirmed the company would maintain its “strong commitment to capital discipline”, setting a combined capex limit for 2020 and 2021 of $3-$4 billion. Alphaliner noted that the expenditure limit was below the group’s annual depreciation of about $3 billion per year, excluding leases, and thus would “result in a shrinking asset base for the company over the next two years”.

Ms. Dybeck Happe also confirmed: “There are no intentions now to invest in any large vessels,” and that the strategy of its ocean sector was to “grow in line with the market, or slightly below, in the next couple of years”. She added: “We will, of course, at some point need to replenish our fleet to remain with a competitive network.”

According to Alphaliner data, Maersk’s rivals have “continued to gain ground” in terms of vessel capacity, with MSC and Cosco expanding by 1.1 per cent and 1 per cent respectively in the past year, compared with the Danish carrier’s 1.5 per cent contraction.

With its 304,000 TEU order book, MSC will be at least on par with its 2M partner in capacity terms by 2021, if Maersk sticks to its capacity limit of 4 million TEUs. And there presently seems little appetite in Copenhagen for ordering new ULCVs. During the same earnings call, CEO Soren Skou was sceptical about the cost advantages of building 23,000 TEU ships, currently in vogue with Maersk’s rivals.

Referring to the potential cost advantages between 18,000, 19,000, 20,000 or 23,000 TEU ships, he said: “All of these ships are basically 400m long and 59m wide. You can adjust a little bit, and maybe squeeze a few more containers on, but I think it’s very marginal. In any event, you have to fill these ships to get all the advantages.” Nevertheless, Mr. Skou appeared to acknowledge that it was still important in the market to offer the biggest ships. He said: “We already, together with MSC in the 2M network, operate by far the largest ships.”

Meanwhile, The Loadstar understands that lawyers in Copenhagen and Geneva are thrashing out the details of Mr. Toft’s new contract with MSC and the terms of his exit from Maersk. MSC announced that Mr. Toft and his family would be relocating to Geneva and that his start date would be “communicated in due course”. Effectively, Mr. Toft is on “gardening leave” from Maersk while the legal issues are agreed, but one source told The Loadstar Maersk “would not make it easy” and that the poaching of this star executive had left a “bitter taste” in the day-to-day 2M relationship.

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HMM reports more losses in Q3, but cost-cutting efforts prove valuable

BY GAVIN VAN MARLE

South Korean carrier Hyundai Merchant Marine reported a third-quarter operating loss of KRW46.6 billion (US$39.8 million), representing a 62.1 per cent improvement on last year’s Q3 loss of KRW123.1 billion. The company said the improvement largely came about as a result of its cost reduction efforts.

“HMM has achieved a significant reduction in its operating loss as compared to the preceding year, mainly due to TDR [tear-down and redesign] activities which include overall process innovation in the field of sales, operation, and administration.”

Total revenue for the third quarter rose 1.5 per cent year over year, to KRW1.44 trillion, despite the continued uncertainty of global trade and oversupplied market with weakening freight rates. It noted that the composite SCFI container freight rate for the period was some 10 per cent below the corresponding period in 2018.

For the first nine months of the year, HMM posted revenues of KRW4.2 trillion, a 10.2 per cent year over year increase, and a year-to-date operating loss of KRW26.5 billion, which represents an improvement of 46.2 per cent over the first nine months of 2018. It did not disclose the volumes it carried, although Alphaliner data shows it did increase volumes on the transpacific trade by 2.4 per cent in the first nine months –
bucking the market, which is likely to show a slight decline— to carry around 750,000 TEUs. And the carrier sounded an optimistic note for the remainder of the year, which came with the normal caveats.

“Although the fourth quarter is the traditional slack season for the container sector, an increase in volume is expected ahead of the early Chinese New Year in 2020. However, global trade uncertainty will still persist, due to the US-China trade conflict, instability in the Middle East/Hong Kong and Brexit,” it said.

Next year, it will begin taking delivery of its new ultra-large container vessels under construction in South Korea, and will also end its vessel-sharing agreement with the 2M partners and join THE Alliance. “HMM is working on a smooth transition to THE Alliance without service disruption, and will offer reliable services with diversification of service routes and improve cost structure through TDR,” it said.

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Hapag-Lloyd ‘profit before market share’ strategy pays dividends

BY MIKE WACKETT

Hapag-Lloyd succeeded in putting “profits over market share” in its third quarter ended September 30, 2019, according to container shipping analyst Lars Jensen. The carrier posted a net profit of $168 million in Q3, achieved from higher average freight rates on flat volume growth.

For the nine-month period, net profit was $333 million, which compares with a profit of just $15 million for the same period of last year. “Clearly its approach to prioritize profitability rather than the pursuit of market share is paying off,” said Mr. Jensen, Chief Executive Rolf Habben Jansen said: “We have achieved a very respectable result after nine months.”

During a Q&A session at the results presentation, Mr. Habben Jansen said there was “definitely room to work closer” with Japanese carrier ONE, but added that he did not think that there was any possibility of a merger.

Revenue over the first three quarters improved 5 per cent on the same period of 2018, to $10.65 billion, on volume growth of 1.2 per cent at 9 million TEUs. Average rates were up 4 per cent to $1,075 per TEU.

Excluding intra-Asia, where Hapag-Lloyd deliberately scaled down some uneconomic services as part of a “strategic realignment”, the carrier’s growth would have been more in line with the industry par of 2.7 per cent. Hapag-Lloyd said it expected a full-year EBITDA of €1.6 billion ($1.76 billion) to €2 billion, adding it assumed it would be “in the upper part of the guided ranges”.

In terms of cargo outlook, Mr. Habben Jansen acknowledged that demand in the first weeks of October, after the Chinese Golden Week holiday, had been soft, but said bookings in the past few weeks had been “pretty decent”, and he expected volumes to remain healthy until the Chinese new year holiday at the end of January.

Hapag-Lloyd succeeded in keeping a lid on its transport expenses, which were “almost flat” in the nine months, despite a 5 per cent increase in the average cost of its bunkers, at $425 per tonne. Mr. Habben Jansen revealed that the carrier’s fleet consumed some 350,000 tonnes of fuel a month, which, based on the current spread between HFO (heavy fuel oil) and the LSFO (low-sulphur fuel oil) required from 1 January to comply with IMO 2020 regulations, could add around $90 million a month to transport expenses. In terms of recovering this, he confirmed that its Marine Fuel Recovery mechanism had been rolled out “to encompass all of Hapag-Lloyd’s annual contract business”. However, obtaining compensation for the 60 per cent or so of its business carried on a spot or short-term contract basis would be the subject of the carrier’s recently introduced IMO transition charge (ITC) it plans to bring in on 1 December at $135 for Asia-North Europe and $125 for the transpacific.

Hapag-Lloyd is in the process of retrofitting ten of its Hamburg Express-class 13,000 TEU vessels with scrubbers, and will also have nine chartered-in ships fitted with scrubbers. Mr. Habben Jansen said the carrier would have some 15 per cent of its fleet equipped with the exhaust gas cleaning systems, which enable ships to consume the cheaper HFO after IMO’s 0.5 per cent sulphur cap comes into force. However, this number is far below rivals such as MSC and Evergreen, which means that it is essential that Hapag-Lloyd recovers the additional cost of the low-sulphur fuel from its shipper customers.

Reprinted courtesy of The Loadstar (www.theloadstar.co.uk)
ONE hits $126 million profit in quarter ending Sept 30, but expects a loss in H2

BY MIKE WACKETT

Japanese carrier Ocean Network Express (ONE) almost hit its target for profitability in the second quarter of its fiscal year, which ended 30 September, posting a positive result of $121 million. Thus, after six months, ONE is in the black to the tune of $126 million, earned on revenue of $5.98 billion. It said cost reductions and the fall in bunker prices had mitigated the impact of a drop in liftings due to “US-China trade issues and a deterioration in the supply-demand balance in the European trade”.

In terms of liftings, ONE’s biggest tradelane, headhaul Asia-North America, saw a utilization level of 94 per cent in Q2 and an overall 90 per cent load factor for H1 at 1.44 million TEUs. The carrier’s second largest tradelane, westbound from Asia to Europe, recorded a utilization level of 95 per cent in Q2, for a cumulative 91 per cent for H1 at 947,000 TEUs. However, the outlook is rougher weather for the carrier.

ONE said it now expected to report a loss of $66 million in the second half of the year and, as a consequence, had downgraded its full-year profit forecast by $30 million, to $30 million. It said this was a reflection of an expected deterioration in spot rates and concerns over a further slowdown in the global economy. The forecast also assumes that the additional costs for compliance with IMO 2020 will be recovered in full by its OBS (One Bunker Surcharge) mechanism, adding that its “customers’ awareness” of the regulatory compliance was increasing. It also said that the installation of exhaust gas cleaning scrubber systems on its vessels was “under study” for some of its larger ships.

Reporting ONE’s results within its group earnings, 40 per cent equity holder NYK said freight rates “did not rise during the summer peak and were sluggish during the quarter”. Reporting ONE’s results within its group earnings, 40 per cent equity holder NYK said freight rates “did not rise during the summer peak and were sluggish during the quarter”.

It added however: “Synergistic effects of the business integration were further accumulated and improvement measures, such as optimizing the cargo portfolio, continued to be executed.”

And 30 per cent stakeholder MOL said: “ONE is revising its short-term freight rate assumptions in light of the concern over a global economic slowdown.” And fellow 30 per cent shareholder K Line said it noted the “profit improvement”.

ONE’s “par” Q2 result supports the upgrade in Maersk’s results guidance and the robust operational results from OOCL for its Q3, but the further outlook expressed by the Japanese carrier is of concern.

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Bellwether OOCL’s final-quarter results bode well, despite tariff-hit transpacific

BY MIKE WACKETT

OOCL has released its 2019 fourth-quarter operational results, showing volume gains on all its trades except the transpacific, which took a hit from the tariff-related downturn. Moreover, OOCL’s traditional pre-cursor to the quarterly financial results season appears to bode well for the earnings of its peers, to be published in the coming weeks.

Across its four regions, the Cosco subsidiary’s liftings were up by an above-par 4.8 per cent on the same quarter of the previous year, to 1,798,610 TEUs. The carrier’s largest sector, intra-Asia/Australasia, saw a 5.9 per cent increase in volumes to 815,818 TEUs, while the Asia-Europe tradelane improved by 8.7 per cent, to 365,072 TEUs.

The biggest percentage increase was recorded on the transatlantic, where OOCL carried 12.7 per cent more containers than in the previous year, 121,933 TEUs. However, due to the impact of the US-China trade war, liftings on OOCL’s second-biggest trading region – the transpacific – declined 1.1 per cent to 495,787 TEUs.

Total turnover increased 2.3 per cent to $1.6 billion. However, average revenue per TEU fell 2.4 per cent on the same quarter of the previous year, suggesting the carrier had opted for a strategy of volume growth over rates. Again, the only negative
and slumped by a year-on-year 6.7 per cent to a combined 741,390 TEUs of imports. “These actual volume decreases are significant and you have to go back to the financial crisis to find comparable declines,” said the author of the report and Blue Alpha Capital founder John D McCown.

Given that some 43 per cent of all US container imports currently originate from China, Mr. McCown said that despite the Phase One agreement reached in January, cutting the duty on $120 billion of Chinese imports from 15 to 7.5 per cent, there were still $250 billion of imports subject to a 25 per cent tariff. He said the volume changes in the fourth quarter suggested further negative numbers, “at least for the first nine months of 2020, that will circle around the 10 per cent actual decline we saw in the fourth quarter”.

OOCL’s total capacity increased by 2.6 per cent quarter on quarter, and the carrier’s vessel utilization was 1.8 per cent higher. Meanwhile, data on December container imports at the top 10 US ports, compiled by New York-based consultant Blue Alpha Capital, show a 12.7 per cent drop in throughput, compared with the same month of the previous year. This follows a 7.9 per cent decline in November and an 8 per cent fall in October, confirming the ramifications of US tariffs on Chinese imports.

US west coast ports suffered far worse than their east coast counterparts as the structural changes on where imports enter the US continued the trend towards the east.

With their December container imports logged at 373,511 TEUs and 323,231 TEUs, respectively, the two biggest US ports of Los Angeles and Long Beach plunged by 20.3 per cent and 13.4 per cent on December 2018, according to the Blue Alpha Capital data.

Overall, the west coast ports received 17.2 per cent fewer containers across their quays last month than a year ago, at 883,864 TEUs. And east coast ports did not escape the effect of the tariffs and slumped by a year-on-year 6.7 per cent to a combined 741,390 TEUs of imports. “These actual volume decreases are significant and you have to go back to the financial crisis to find comparable declines,” said the author of the report and Blue Alpha Capital founder John D McCown.

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Søren Toft confirmed as MSC’s new Chief Executive

BY GAVIN VAN MARLE

The world’s second-largest shipping line, MSC, has confirmed that former Maersk COO Søren Toft is to be its new Chief Executive. The announcement confirmed widespread rumours that Mr. Toft was leaving Maersk to join one of its largest rivals – although also of course its 2M partner.

It also indicates a step-change at the family-controlled firm, with current CEO Diego Aponte becoming President, while founder Gianluigi Aponte stays as Chairman. MSC said: “Mr. Toft comes with an impressive career background and pedigree in the industry, having worked at Maersk for the past 25 years, specifically as Maersk Line’s Chief Operating Officer since 2014. “MSC is confident that this appointment will bring significant value to its cargo businesses, building on the company’s existing strengths and boosting its development plans even further. Mr. Toft will be relocating to Geneva with his wife and family and his start date will be communicated in due course,” MSC added.

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Maersk CFO Carolina Dybeck Happe in shock departure for General Electric

BY GAVIN VAN MARLE

The turmoil engulfing the executive board of AP Møller-Maersk continued as the company announced it is to lose Chief Financial Officer, Carolina Dybeck Happe (pictured). Ms. Dybeck Happe, who only started in the role in January 2019, “has accepted another opportunity outside of the company”, said a company statement.

But today, US industrial giant General Electric (GE) revealed she would replace its current CFO, Jamie Miller, “effective in early 2020”.

APMM CEO Søren Skou said: “I would like to thank Carolina for her short, but productive time at AP Møller-Maersk. She is committed to building on the progress that has been made and ensuring a smooth and orderly handover.”

Ms. Dybeck Happe was originally appointed as AP Møller-Maersk CFO in July 2018 before officially joining the company in January. A stranger to shipping, she was with lock manufacturer Assa Abloy for almost a decade, between 2002 and 2011, in regional CFO roles, before becoming CFO at Trelleborg. A year later, she returned to Assa as group CFO and Executive Vice-President.

“As CFO at Maersk, she has been instrumental in driving strategic and structural change amidst significant market disruption, including executing a substantial deleveraging plan and reshaping the company’s portfolio to deliver more profitable growth,” a GE statement said. GE CEO Larry Culp J.r added: “Carolina is a proven global CFO with a superior track record of delivering results and creating value. After a rigorous global search process, I’m excited to welcome Carolina to GE. She is a high-impact executive who brings a compelling blend of strategic and capital allocation discipline, well-honed operating skills, and transformational leadership abilities. She will be a strong partner as we execute our deleveraging plan and improve our operating results to position GE for sustainable, long-term value creation.”

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2019 the ‘calm before the storm’ for conventional reefer shipping, says analyst

BY SAM WHELAN

Last year was the “calm before the storm” for conventional reefer shipping, according to Dynamar. The expected surge in fuel costs from IMO 2020 is likely to accelerate scrapping of conventional vessels and the switch to containerships, said the analyst.

Furthermore, trade tensions continue to cause concern among shippers and carriers, both containerized and conventional, with the slowdown in major economies leading to “an erratic end to the year in terms of trade flows”.

“The worldwide trade in perishable cargo continues to grow, but it is not all plain sailing,” Dynamar explained, noting total seaborne transport of fresh produce grew by 3 per cent to 119 million tonnes.

“Major market movers, including global fruit traders Chiquita and Del Monte, continue to transfer their trade to boxes.

“Specialized conventional carriers,
Chinese ready for a new wave of perishable imports as tariff barriers come down

BY IAN PUTZGER IN TORONTO

China appears to be on the verge of a ‘tsunami’ of perishable imports. On 1 January, Beijing implemented temporary tariff reductions on more than 850 products in an effort to fuel imports after a domestic shortage of some goods and demand for foreign speciality goods for everyday consumption. However, even more imports will be triggered by execution of the China-US phase one trade agreement.

The January tariff changes cover a broad range of products, from frozen pork to semiconductors; for example, the tariff on avocados was lowered from 30 per cent to 7 per cent. And US officials have signalled that substantial exports of agricultural products are in store. According to US trade representative Robert Lighthizer, China has agreed to purchase $200 billion worth of additional US goods and services over two years, and perishables play a prominent role in this scenario. The White House declared last year that China would boost purchases of US agriculture products to $40-50 billion within two years.

The mood is particularly bullish among US meat exporters, who sense an opportunity. An African swine fever epidemic has devastated Chinese pig stocks, with around 40 per cent being culled, causing a spike in pork prices — although the government released some strategic reserves. And US chicken exporters are also bullish after Beijing lifted a ban on US poultry in December that had been in place since 2015 after an outbreak of avian flu.

Chinese imports of poultry from Brazil climbed 34 per cent in 2019 and, according to Mr. Lighthizer, US exporters will be able to sell more than $1 billion worth of poultry and poultry products a year to China.

As the trade war pushed tariffs on their catch up to 40 per cent, US lobstermen saw their exports to China dry up while Canadian exports went through the roof. Brendan Harnett, Chief Executive of Vancouver-based perishables specialist Flying Fresh Air Freight, expects US players to try to recover this lost ground once tariffs drop. One element in their favour is ample lift out of US gateways at low rates, he noted. He reckons his company may be moving more crab and cherries from the Pacific north-west to China as tariffs on these go down. Most of this is trucked either to Vancouver or California to catch flights to China.

For now, Flying Fresh’s Canadian clientele is adopting a wait and see stance. There is uncertainty not only over the details in the US-China accord and how aggressively US exporters will go after the market, but also on political issues. For
New hope for troubled Chile that it can save $4.6 billion salmon export market

BY ALEX LENNANE

Chile hopes to see its salmon exports resume, following the protests and civil unrest that have hampered its export markets. While Chile’s fruit has, for the most part, managed to leave the country during the unrest, that has only been down to “people working very hard”. In the salmon industry, exports have been stopped by road blockages, as well as union protests. Logistics from the island of Chiloe, a salmon centre, were hampered, while some salmon farms have limited production and harvest, and many have been reduced to one worker shift per day, meaning that fish have been left in the water too long. One source told The Loadstar: “The union threatened to burn down the packaging plants, but finally reached an agreement. However, hundreds of tonnes of fish have died.”

Chile’s exports plunged 21 per cent year on year between October 1 and October 23, although data by the Association of Fruit Exporters of Chile showed fruit exports at a similar level to last year.

Eric Hartmann, Vice-President of forwarder Agunsa, added that the fruit season had started — but it hadn’t been easy. “People are working very hard to make the air freight business continue. The peso has devalued by more than 10 per cent, so air freight is under pressure, although it has helped with exports. “But some exports have not made it to Santiago — maybe half.”

“There is resilience in the market, which is still looking to do business even under this pressure. Some freighters have left for China full, others maybe 50 per cent full if the fruit didn’t make it to the airport.”

Customs officials have been split on the protests. One customs director physically moved a barrier preventing goods getting into the airport and appealed to protesters – other customs officials among them – to stop blocking trucks. Eventually fruit-laden trucks were allowed into the airport.

Meanwhile, Hapag-Lloyd’s Cherry Express service left for Hong Kong last week.

“Chile has changed in a month,” said Mr. Hartmann. “We were in an excellent position, with no unemployment, low inflation. Now we are in a recession, and losing 300,000 jobs – no one is buying anything, no one is doing anything, “It has turned into something apolitical, protesters have burned down the headquarters of both right and left political parties. It is frightening.”

Protesters have burned down warehouses, a university, metro stations and supermarkets, with some 60 owned by Walmart burned or vandalized. However, the government has continued to offer concessions, and its pledge to review the constitution saw the peso rise against the dollar after its historic low.

Salmon is Chile’s second-largest export product, after copper, worth more than $4.6 billion, according to industry association SalmonChile.

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New reports suggests threat to growth in global container port throughput at highest level ever

BY GAVIN VAN MARLE

Container terminal operators are facing higher risks than at any time in the industry’s history, according to a new report. Container Terminals: Paths to Profitability suggests future investment by operators and investors will need to be more carefully considered than ever before.

The 221-page report by industry veterans Remco Stenvert and Andrew Penfold says many of the risks the industry faces are “beyond the control of operators”. “The container port and terminal business faces greater uncertainties now than at any time since the container revolution started in the late 1970s,” it says. “These represent systemic and intrinsic risks that could dramatically impact the outlook for port demand, profitability and investment in the next 10 years. “All investments need to take a clear view on these risks, the days when expanding container demand could be relied upon to save marginal projects have passed,” the authors write.

The study outlines a range of external factors – the retreat of globalization in the face of rising protectionism; the growing financial instability since 2009, with most growth since the financial crisis funded by mounting levels of debt; a structural change in the nature of demand with many developed economies now effectively reaching peak container throughput; the challenge of near-sourcing strategies; the technological challenges posed by blockchain and 3D printing; and mounting environmental considerations – that port operators have no control over, but yet need to take into account when planning new projects.

There is also a long list of factors internal to the shipping and terminal industry with which many are already acquainted – shipping overcapacity and under-utilization; alliance instability, which increases in terms of risk as volume growth slows; shipping line terminal investment, which is increasingly in the minds of terminal operators independent of carrier involvement; the pressure of ever large vessel sizes; terminal overcapacity in some regions; and finally the potential for the industry to be disrupted by new operators altogether.

“The world is changing and the impact on the container port sector remains unclear. As the major new traders and logistics companies such as Amazon and Alibaba increase their market presence, there will be clear pressures for them to invest vertically in the transport chain. “This may well see increased potential for joint ventures but could also see increased competition for investment in an uncertain market,” it says.

The good news, however, is that even under the worst cases scenario envisioned by the authors, between now and 2030 there will be some growth for the market. If the threat of trade wars and protectionism dissipates, and the global economy enjoys a period of stable growth, the report predicts world port throughput of 1.37 billion TEUs in 2025, 35.4 per cent over 2018, when global volumes edged past the billion TEU mark for the first time, and further growing to 1.7 billion TEUs by 2030.

A less-optimistic scenario imagines nations locked in a spiral of introducing retaliatory protectionist measures as divisions over trade deepen and container volumes take a hit, and would see world container throughput hit 1.29 billion TEUs by 2025 and 1.53 billion in 2030. “This is a considerably slower demand growth profile and reflects the impact of protectionist pressures in the container sector,” the report says.

But there is also the very real risk of a cyclical downturn, which would mean cumulative growth of under 20 per cent between now and 2025, and result in global throughput of 1.22 billion TEUs in that year and 1.5 billion TEUs in 2030.

“Should another downturn be recorded, the scope for a rapid recovery will be more limited. In the current market there is much less scope for demand stimulation because interest rates already at very low levels and government indebtedness at such high levels that fiscal stimulus will be difficult to achieve. “The actual implications of this uncertainty are difficult to forecast but, in overall terms, there is scope for an absolute reduction in demand over 2019-2021. The forecasts here developed could significantly understate the downside risk of this scenario,” it says.

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Road freight still the mode most vulnerable to crime – parking must be safer

BY GAVIN VAN MARLE

Most cargo theft around the world occurs in the trucking sector, according to new research from supply chain insurer the TT Club. This year’s annual cargo theft report, compiled with supply chain intelligence firm BSI, says road freight – either in transit or parked – accounts for 87 per cent of all cargo thefts in the supply chain. A further 10 per cent were from facilities, 1 per cent from sea freight and 2 per cent listed as “other”.

The most common type of cargo theft was hijacking, which last year accounted for 26 per cent of incidents, compared with 17 per cent in 2018, which reflects its popularity in South America, where hijacking accounts for 53 per cent of all thefts. In Europe, the majority of cargo thefts (40 per cent) took place in rest areas, while unsecured roadside parking accounted for 14 per cent of thefts, the report found.

“All major countries of concern for cargo theft in the region lack sufficient secure parking locations, creating ample and easy opportunities for thieves to strike at vulnerable vehicles. “Regulations that limit the length of time that cargo truck drivers can operate before taking a mandatory break exacerbates the lack of secure parking, and often forces drivers to stop in vulnerable locations. Lastly, the prevalence of soft-sided trailers further increases the ease to which thieves can gain access to cargo truck-borne shipments of goods,” the report said.

However, the report notes the EC’s initiative to increase the number of secured rest facilities through its Safe and Secure Parking Places for Trucks programme, and urged operators outside the EU to “mitigate the risk of theft from parking in unsecure locations by assessing and choosing secure parking locations based on the operator’s compliance to the minimum level of secure parking protection measures”.

Food and beverages remains the largest commodity stolen, representing 28 per cent of thefts, with electronics next with 13 per cent and alcohol and tobacco with 10 per cent.

TT Club senior loss prevention manager Mike Yarwood said: “Thefts either of, or from, road vehicles most frequently occurred while in transit, in rest areas or at an unsecured parking location. These accounted for 60 per cent of thefts reported.

“The median value of losses from these incidents ranges from $100,000 in South America to just over $11,000 in parts of Asia. We are particularly keen to draw attention to the dangers of such informal parking and encourage the provision of more secured truck stop facilities,” he added.

Meanwhile, the Transported Asset Protection Association (TAPA) has launched new security standards to prevent the losses, which amount to millions of dollars a month. From July, revisions to the Facility Security Requirements and Trucking Security Requirements (TSR) take effect, revised in consultation with TAPA’s international members to address new and emerging threats – such as the significant growth in attacks on last-mile deliveries. Changes include an Independent Audit Body multi-site certification option, designed to identify and promote operational efficiencies between sites, so best practices can be shared. The TSR Standard will also enable four different types of transport vehicles – vans, hard-sided trailers, soft-sided trailers and ocean containers by road – to be certified to suit operational needs.

“Supply chains are often seen as an easy target by both organized crime groups and opportunist criminals,” said Paul Linders, chair of TAPA’s Worldwide Change Control Board. “The success of our security standards in reducing cargo losses is down to one very important fact – they have been created by the industry, for the industry and are delivered by TAPA.”

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Hutchison to acquire Rotterdam Maasvlakte box terminal from Maersk’s APM Terminals unit, and promises no redundancies

BY GAVIN VAN MARLE

Hong Kong-headquartered port operator Hutchison is set to consolidate control of the container facilities on Rotterdam’s Maasvlakte Delta site by agreeing to acquire the APM Terminals facility at the port. The two companies have signed a letter of intent that will see ownership of APM Terminals’ Rotterdam transferred to Hutchison’s Netherlands subsidiary, ECT.

In a statement, Maersk subsidiary APM Terminals said the deal needed to be ratified by competition authorities and local labour unions. It added that APMT Rotterdam “would continue to exist as an independent organization with a five-year volume guarantee from parent company AP Møller-Maersk and no forced redundancies within four years of signing the agreement”.

APM Terminals acquired the facility as part of Maersk’s purchase of US shipping line Sealand. The site has an annual capacity of 3.5 million TEUs, is equipped with 13 post-panamax cranes and has a yard area of 100 hectares. It serves 2M and THE Alliance vessels, as well as services Zim and CMA CGM.

APMT said: “Under the ownership of Hutchison Ports, APM Terminals Rotterdam will have the opportunity to grow into a leading, modern, future-proof terminal. Hutchison Ports has indicated it is interested in talking to Port of Rotterdam Authority for an extension of the lease.”

The deal does not include the state-of-the-art APM Terminals Maasvlakte II, which opened in 2015 and is considered one of the most advanced container terminals in the world.

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Japanese shipping bosses bullish for 2020, but all fear demand slowing

BY MIKE WACKETT

The traditional Japanese shipping lines’ New Year messages to staff were generally positive, reflecting the improving financial results of the industry – but concerns remain over a possible slowdown in demand.

K Line President and Chief Executive Yukikazu Myochin said the “poor market conditions and a temporary deterioration in the bottom line, caused by the teething problems of ONE’s first year of operation”, were in the past and that the group expected to remain in the black for its fiscal year ending 31 March. He said: “ONE is now at the stage where it can achieve more synergy through best practices, and we expect further improvements in meeting the bottom line.”

MOL President and Chief Executive Junichiro Ikeda said that, generally, “the year ended on a strong note”. Referring to the liner sector – MOL is a 30 per cent stakeholder in ONE – Mr. Ikeda was cautiously optimistic. “The containership business recovered from a slowdown in profits in the previous fiscal year,” he said, adding he was hopeful that the improved performance of ONE would lead to the next stage in its growth. However, Mr. Ikeda was cautious on the global outlook for trading. He said: “I’m concerned about the effect on seaborne trade arising from the slowdown in worldwide economic growth.

“I cannot say when or how the economy might tumble into recession, but from my experience recessions can be categorized into two types: suddenly triggered by a specific factor; and occurring so gradually they are hard to determine.”

He added that there was a commonality between both types of recession and “we must, without fail, prepare for the hard times during the good times – like now”. Mr. Ikeda added: “An example of a measure we can take now is to limit our market exposure. When we say, ‘limit our exposure’, the first thing that may come to mind is fleet reduction, but the real issue is to pre-
pare for the storm by enhancing the fleet’s market durability, while diversifying profit sources.”

Hitoshi Nagasawa, President of NYK — which holds a 40 per cent stake in ONE — was more philosophical in his outlook. He said: “Change is occurring rapidly these days, and it is said that the future is uncertain. However, assuming the future is uncertain for everyone, we should advance together without fear of failing.”

In a motivational pitch to NYK’s 54,000 employees around the world, Mr. Nagasawa added: “I want everyone to firmly express yourselves and achieve solid results.”

And HMM President and CEO Jae Hoon Bae gave a rousing new year message to his staff, declaring that the company was steaming “full ahead” to turn around its dire financial results this year. This, he pledged, would “eventually lead to a complete reconstruction of the Korean shipping industry” still tainted by the bankruptcy of Hanjin in 2016. April will see HMM join THE Alliance after four years of being on the sidelines as a slot charterer with the 2M. And Mr. Bae reiterated HMM’s target of rebuilding its fleet to 1 million TEUs of capacity.

According to Alphaliner data, HMM’s fleet capacity is currently 390,000 TEUs, ranking it the tenth-largest carrier. However, it has a significant 419,000 TEU orderbook, including twelve 24,000 TEU ULCVs. On delivery, it will move up one place, just behind Taiwan’s Yang Ming which, including its orderbook, will have a fleet capacity of some 844,000 TEUs.

Box manufacturers issue profit warnings as soft demand forces prices down

BY GAVIN VAN MARLE

Prices of new containers dropped dramatically last year, forcing major box manufacturers to issue recent profit warnings to investors. In separate announcements to the Hong Kong Stock Exchange, the two largest manufacturers, China International Marine Containers (CIMC) and Singamas, warned investors that low demand for new boxes, combined with oversupply of equipment, had forced them to reassess their financial performance for the past year. Singamas now expects a US$95 million loss for 2019, compared with a $72 million profit in 2018. “With soft demand in new container and an intense competition in the market, the average selling price of a 20ft dry freight container dropped substantially compared with the preceding year, which affected the performance of the group,” it said.

CIMC said its container sales and revenue had declined and expected its full-year profit to decline from the $487 million posted in 2018 to between $187 and $250 million.

According to liner analyst Drewry, prices of new 40ft boxes fell 6 per cent during the final quarter of last year, by 13 per cent over the full year and by 27 per cent since their last peak, in 2017. This had resulted in container manufacturers experiencing “negative margins reaching as high as 6 per cent by the end of 2019”, and warned any possible recovery this year would be unlikely to fully alleviate manufacturers’ problems.

Drewry said: “Pricing is expected to stabilize through 2020 as demand for new container equipment recovers, but this is not anticipated to be sufficient to lead to much of a recovery. Hence, Drewry expects further cost cutting and possible closure of older production facilities with more consolidation to come.” However, it added: “Drewry expects container output to recover in 2020, triggered by increasing replacement requirements and some owners investing in new equipment to expand their fleets.”

It also noted that the pricing malaise had extended to the reefer sector, hitherto far more resistant to price fluctuations. Reofer prices have fallen 6 per cent since their high at the end of 2017. And this came despite a decline in annual production levels. “Reefer equipment production showed year-on-year gains in the quarter, but annual output did not match the previous year’s,” Drewry said.

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Demand for multipurpose vessels grows as lines lose interest in project cargo

BY MIKE WACKETT

As container lines ‘lose interest’ in oversized cargo, larger-sized breakbulk and heavylift vessels are predicted to see an average 6 per cent rise in their earnings this year, according to Drewry. Breakbulk shipowners are now not seeing the usual threat to their sector from container carriers looking to top up their ships with project and heavylift cargo.

The danger from “carrier poaching” has receded significantly in past months as the supply of containerships has been artificially reduced by the vast number of vessels out of service for retrofitting of scrubbers. One UK project shipper told The Loadstar recently container lines were “running away” from their transport quotes. “Clearly they have lost interest again,” he said. “We can’t rely on [the carriers] to honour their commitments, so we are scratching around in the multipurpose charter market. But there are not that many opportunities there anymore.”

Speaking to The Loadstar today, Susan Oatway, senior analyst for multipurpose & breakbulk shipping at Drewry, said she was “more optimistic” about the MPV (multipurpose vessel) sector for 2020 on the back of stronger demand. However, the analyst added she was reminded that the sector was “not based on a straightforward supply and demand equation – there are always other factors on the outside that influence the market”, she said.

On the supply side, Ms. Oatway said the MPV orderbook remained “thin” due to recent fallow years in the sector and a consequential lack of investment in the market. One London broker source agreed, noting that the few orders in the past two years had been for replacement tonnage, with no new investment coming into the sector. “There is so much uncertainty over the survival of the sector that nobody in their right mind wants to invest in building a ship that may be obsolete in five or ten years’ time,” he said.

And Ms. Oatway noted: “The average age of ships has crept up to 17 years, with some vessels now approaching 30 years. The diverse and ageing fleet has changed little over the last 12 months and, unless demolition numbers increase significantly, is set to stagnate, over the short-term at least.”

Drewry’s Multipurpose Shipping Forecaster Q4 19 report shows a headline 6 per cent average earnings increase for the sector this year, but for smaller ships, below 15,000 dwt, the uplift is likely to be more modest. “Our expectation for dry cargo trade, the bedrock of MPV demand, remains a steady 2.1 per cent growth a year for the medium term,” said Ms. Oatway.

The report adds: “Although the pace of global activity slowed in 2019, it is expected to recover this year and next. Expectations for steel production and trade are positive and, although investment in traditional projects remains weak, the momentum behind renewable energy appears unstoppable.” The report says “looking further ahead, earnings are expected to continue recovering, albeit modestly and subject to some minor correction in 2021”. This, it suggests, could come from a heightening of competition from the bulk shipping sector and a likely return into the market by the container lines. “But the ongoing trend for the multipurpose sector remains positive and is more upbeat than previously envisaged,” concludes Drewry.

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Vancouver Airport is building, but slowly and may miss out on a ‘golden opportunity’

BY IAN PUTZGER, AMERICAS CORRESPONDENT

As with most airports, 2019 is going down as a year more-or-less to forget, in terms of cargo growth at Vancouver International Airport; after a buoyant 2018, the momentum stalled. Jason Tse, Manager, Commercial Leasing – Cargo, at the airport authority, said: “2018 was really good; 2019 has been a little bit of a challenge, which is probably reflective of the global situation.”

For most west coast gateways, the inbound sector from Asia has been the ‘Achilles heel’ this year, owing to the slump in US imports from China, but in Vancouver the inbound flows have been hurt less, according to Mr. Tse, although transit traffic from China to the US was down.

Westbound traffic fared worse: US exports to China, such as cherries from Washington state, were predictably weaker than the year before, but Canadian exports have also faced headwinds. Canadian cherry exports were down, due to a weaker crop, while shipments of beef and pork were hit by an import ban in China (which was lifted in November, after a five-month
Special tribute to donors in response to fundraising campaign conducted by Mariners’ House of Montreal

The Board of Directors of Mariners’ House sincerely thanks Seamont Brokerage and Transport, Mr. John S. Gareau, The St. Lawrence Seaway Management Corporation, Fednav, and CSL Group for their generous contribution of $5,000 each to Mariners’ House’s Capital Fundraising Campaign initiated in September of 2019. For those who may have missed the occasion, Mariners’ House invites you to sponsor the upcoming Festa Italia to be held on March 19.

For our vehicles, food for our tables, and clothes we wear have probably come to us by sea, a journey often covering thousands of miles. Yet the seafarers at the heart of our global economy remain an invisible group. Apart from the dangers of life at sea, loneliness can put a sharp edge on everyday worries. For the duration of a six to nine month contract, most of a seafarer’s life is spent with a handful of crewmates, far from family and friends, measuring out the hours in long shifts.

Offering practical and moral support, Mariners’ House and its predecessors have been serving seafarers arriving in the port of Montreal since 1862. In 2018, 14,536 seafarers were welcomed at the centre while 11,498 were transported to and from their ships or to their specified destination. Mariners’ House is open 364 days a year and 61 hours a week. The cost of running two vehicles, including a 20-passenger bus, and ensuring that two members of staff are always on duty during opening hours has taken its toll on the charity’s finances. And so it is with profound gratitude that the Board acknowledges the generosity of its valuable partners.
UPCOMING EVENTS
Contact FRANCE NORMANDEAU
france@canadiansailings.ca

March 1-4
2020 TRANS-PACIFIC MARITIME CONFERENCE
Long Beach, California
www.joc-tpm.com

March 11
THE GRUNT CLUB
St Patrick’s Curling Luncheon
Montreal West Curling Club
Contact 514-908-5118, Morgan Broadbent
Email: Morgan.Broadbent@ca.dsv.com
www.gruntclub.org

March 19
MARINERS’ HOUSE OF MONTREAL
Italian Festa Luncheon
Terminal No. 1, Grand Quai du Port de Montréal
Contact: (514) 849-3234, Carolyn Osborne
manager@marinershouse.ca
www.marinershouse.ca

April 21-24
ARCTIC SHIPPING FORUM
Paasitorni Congress Centre, Helsinki
maritime.knect365.com/arctic-shipping-forum/

June 10-12
GREEN MARINE
GreenTech 2020
Omni Mont-Royal Hotel in Montreal
Contact: 418-648-6004 Ext 302, Manon Lanthier
manon.lanthier@green-marine.org
www.green-marine.org/greentech

April 27-29
2020 JOC BREAKBULK & PROJECT CARGO CONFERENCE
Hilton New Orleans Riverside
www.joc-breakbulk.com

April 28-30
MARI-TECH 2020 CONFERENCE & EXHIBITION
Halifax Convention Centre
Contact: 613 599 6671 Ext 2, Cindy Hick
hick@bellnet.ca
mari-techconference.ca

May 16–20
AAPA 2020
Music City Center, Nashville, TN
Contact: (800) 929-3347
aapa@experient-inc.com
www.aapa.org/conference

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