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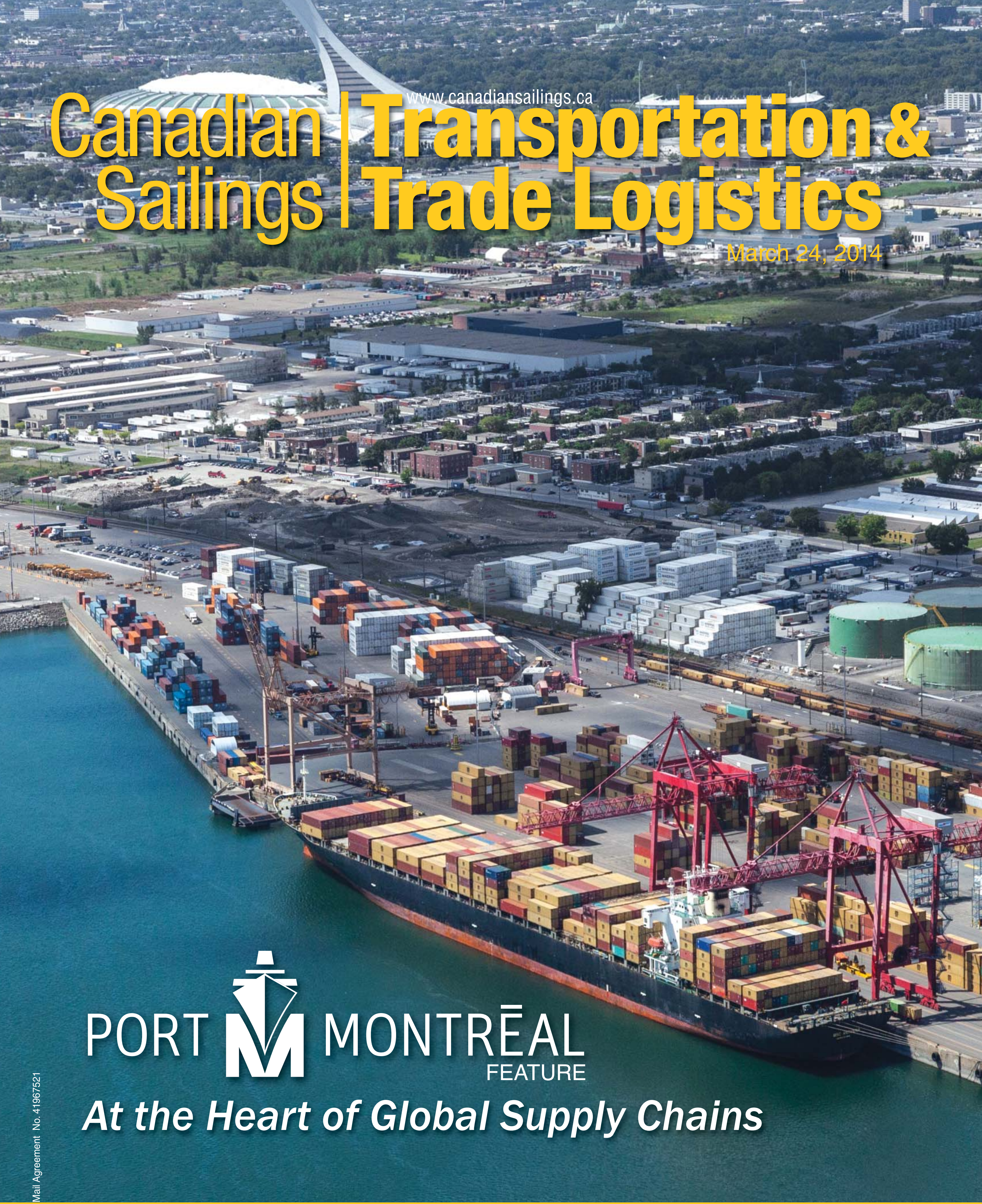

PORT MONTRĒAL FEATURE

At the Heart of Global Supply Chains

Publications Mail Agreement No. 41967521

The Grunt Club celebrates 79th Annual Dinner

See Page 29


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CONTENTS

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PORT MONTRÉAL Feature

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REGULAR FEATURES

Port of Montreal at the heart of global supply chains

A facilitator of world trade that connects clients to international markets

'Trading with the World' is more than just a tagline for the Port of Montreal. It defines the port's identity and its positioning as a key component of global supply chains and a major international port that trades with the world.

"Freight transportation decisions today are being made in the larger context of supply chain management," said Sylvie Vachon, president and CEO of the Montreal Port Authority (MPA). "Globalization is redefining the rules of the game and how quickly ports must adapt. Ports must be facilitators of world trade.

"As a core element of the supply chain, the Port of Montreal wants to be seen as the engine that leads trade growth. Within this role, we act as a catalyst for economic development for the city and the entire country. We drive business growth for our clients by connecting them to their markets. And we facilitate supply chain performance for our partners."

Montreal is well positioned at the centre of a truly integrated marine, rail, road and pipeline network. It is a major hub for freight transportation and a diversified port that welcomes more than 2,000 ships annually carrying all types of cargo to and from all parts of the world.

Advantages

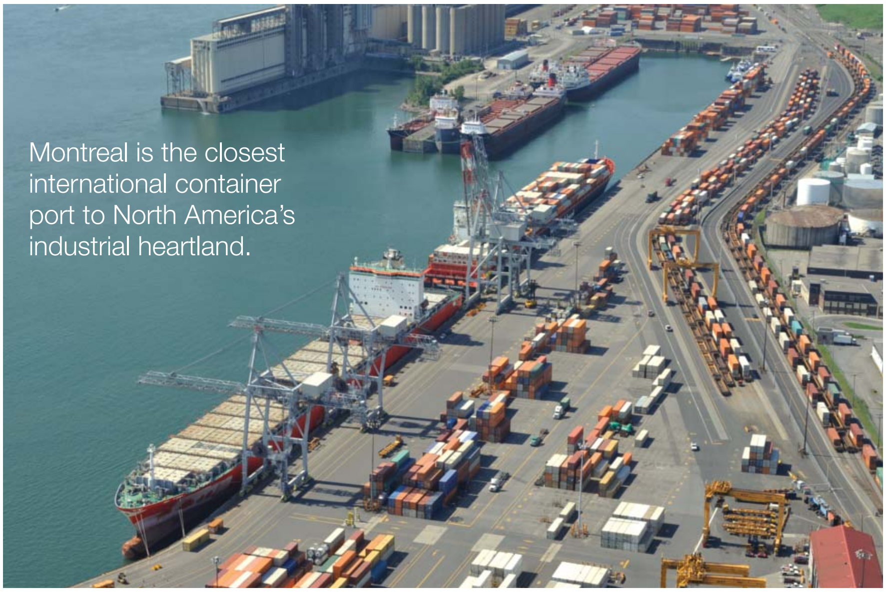
The Port of Montreal's success on global markets is anchored in a number of strategic advantages.

Montreal is on the shortest direct route from Europe and the Mediterranean to North America's industrial heartland. Brian Slack, a geography, planning and environment professor at Concordia University in Montreal and an expert on maritime transport and intermodality who has conducted a study on transit times to Canadian ports, said: "Regarding transit times from Europe to East Coast ports, it was clear that Montreal stood out well. Shorter transit times compared to New York or Norfolk are a particular advantage that Montreal possesses.

SYLVIE VACHON
Port a core element of supply chain

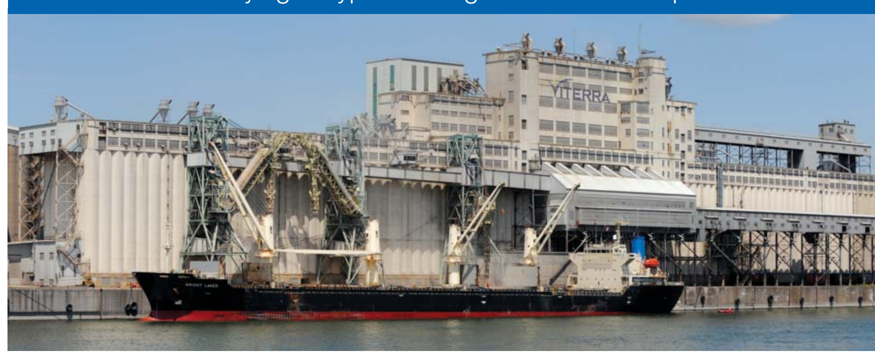
Montreal is well positioned at the centre of a truly integrated marine, rail, road and pipeline network.

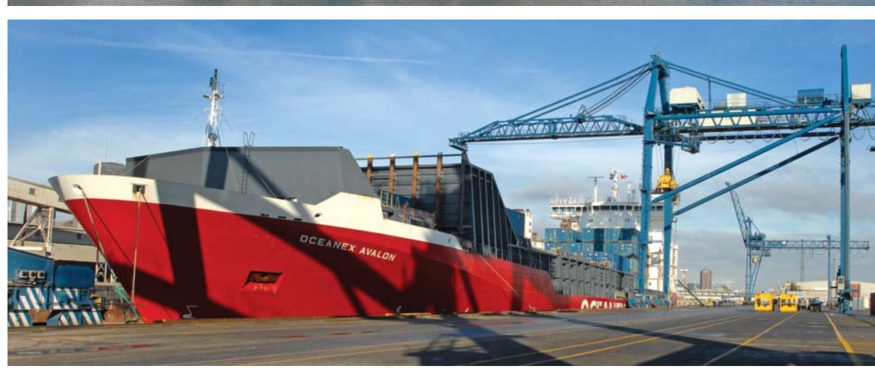
Photos: Montreal Port Authority

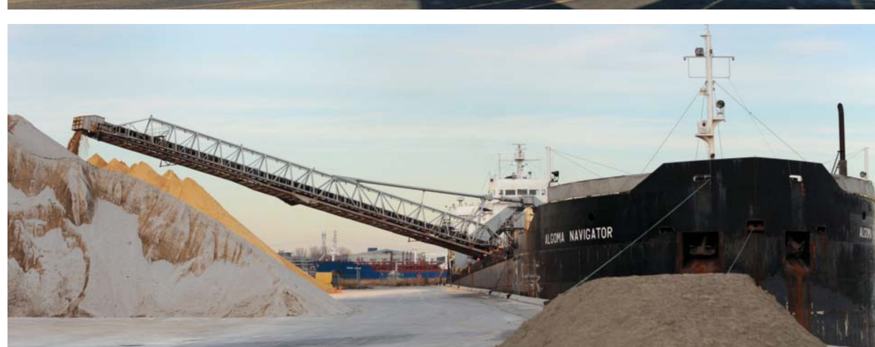


Montreal is the closest international container port to North America's industrial heartland.

Montreal is a diversified port that welcomes more than 2,000 ships annually carrying all types of cargo to and from all parts of the world.







"Transit times are one component. In addition, there is transit time to the customer. Historically, Montreal has an advantage landside."

With its strategic location 1,600 kilometres inland, Montreal is the closest international container port to North America's industrial heartland. Its market reach is impressive: the port provides access to 40 million consumers within one trucking day and another 70 million consumers within two rail days. It has excellent highway connections to the hinterland, and it is directly connected to Canadian National and Canadian Pacific railways.

"Montreal has rail right on dock. Block trains are assembled for direct movement daily to Toronto, Detroit and Chicago," Mr. Slack said.

"If you consider total transit time – ocean transit time to Montreal and then door-to-door delivery – the port does very well."

"I don't think there is any question that Montreal is the most strategically located port for access to North Atlantic and Mediterranean destinations from Canada's heartland, to say nothing of the U.S. Midwest," said Christopher Gillespie, president and CEO of Gillespie-Munro Inc., a full-service Canadian freight forwarding firm based in Montreal.

Thanks to its advantageous transit times, Montreal is a leader on the market between Europe and Central Canada and the U.S. Midwest.

European markets, including the Mediterranean, represent close to 65 per

cent of container traffic moving through the port. Ninety-eight per cent of Quebec importers and exporters and 93 per cent of Ontario importers and exporters choose the Port of Montreal to reach European markets.

Moreover, one container in four moving through the port has its point of origin or destination in the U.S. The Midwest is a highly coveted and huge consuming market. In addition, Chicago is the only location in North America where the six Class 1 North American railways cross; it's a distribution point that reaches the entire continent.

Beyond its strength on the North Atlantic, Montreal has succeeded in increasing its cargo volumes with other regions of the world. It benefits from traffic moving through the Suez Canal and the Panama Canal thanks to the direct services that shipping lines now provide between Montreal and transshipment ports in Northern Europe and the Mediterranean, and in the Caribbean. (See separate article in this Port Feature.)

Leading global carriers

Many of the world's leading global container shipping lines – CMA CGM, Hapag-Lloyd, Maersk, MSC and Maersk – provide dedicated weekly or twice-weekly services through the Port of Montreal.

"At the Port of Montreal, schedules are generous," Mr. Slack said. "Shipping lines have time in port to adapt and to make up for any unavoidable delays. This is beneficial for both shippers and carriers."

Montreal is a one-stop port where carriers do not make any intermediate calls before arriving in Montreal. "For a shipping line, being the only port of call is one big advantage," Mr. Slack said. "It is easier to arrange stacking and ship-offloading operations. So there is an operational advantage to call Montreal."

Cost efficiency is another advantage. Vessels are completely unloaded and loaded in the port, meaning equipment flows are balanced.

"In Montreal, trade is balanced, unlike the West Coast where there are a lot of empties, and where balancing full and empty containers is a problem," Mr. Slack said.

Port users can also count on supply chain collaboration where continuous communication among the MPA, terminal operators and railway companies ensure short dwell times for containers and seamless operations.

"There are simply no other ports with the facilities, frequency of direct services, and rail and truck service infrastructure that can come close to the Port of Montreal's capabilities in these regards," Mr. Gillespie said.

How does the Port of Montreal position itself moving forward as a key component of global supply chains and a facilitator of world trade?

"The port has to show customers and shipping lines that it is efficient," Mr. Slack said. "Performance is the number one objective. It has to be cost efficient. It has to be innovative. It has to have room for expansion; this is where Contrecoeur comes in."

The Port of Montreal owns land along four kilometres of waterfront at Contrecoeur, located about 40 kilometres downstream from its facilities on the island of Montreal. This land will be used to increase the port's container-handling capacity once land on the island of Montreal reaches full capacity.

"The port has a dynamic team in place to respond to customers and lines. It is efficient and it is cost competitive," Mr. Slack said. "The mood is upbeat."

Montreal an important port for Chrysler

Auto giant relies on port for efficient delivery of production and service parts

The Chrysler Group moved some 13,100 import and export TEUs (20-foot equivalent unit containers) through the Port of Montreal in 2013. These boxes carried automotive production and service parts along with empty racks that are returned to suppliers for shipping.

Through Montreal, Chrysler receives parts from its European-based suppliers, primarily from the ports of Antwerp, Genoa, Lisbon and Hamburg. Shipments out of North America originate at Chrysler's U.S. Midwest plants and consolidation centre for export to European suppliers, parts distribution centres and assembly operations in Venezuela and Egypt. The major ports of entry are Puerto Cabello, Genoa, Cairo and Antwerp.

Advantageous transit times are one reason why Chrysler relies on the Port of Montreal.

"The short transit time between Europe and North America is a fundamental reason the Port of Montreal is important in this segment of the Chrysler supply chain," said Joe Heck, Chrysler's manager of international procurement and Mopar, based in Auburn Hills, Michigan. "The direct ocean service and the rail connection to the Detroit area for onward delivery of containers to our assembly and parts operation are excellent.

"The export flows to offshore Chrysler operations and parts distribution centres from Montreal are afforded the same advantages as the imports with the rail and direct service."

The Port of Montreal's strategic location and market reach are also important to Chrysler.

"Montreal allows us to expedite by truck a critical container to a Midwest plant or, conversely, from a Midwest location to make a sailing for export when rail will take too long," Mr. Heck said. "The terminal will work with our ocean carrier to ensure a critical container will be processed even after hours."

Reliability is also a key part of Chrysler's decision to use the Port of Montreal.

"The weekly dedicated service provided by our core ocean carriers and their relationship with the Port of Montreal and the rail provider allow for a streamlined process for the import and export of Chrysler shipments," Mr. Heck said. "The port operations are maintained even in the severe winter weather, which assures the cargo will continue to move without interruption."

'Port+' strategy complements core activities with value-added services

Port working to build partnerships, further enhance fluidity and reliability

'Port+' is a differentiation strategy in which the Port of Montreal will complement its core activities with value-added services. "Ports today must set themselves apart by creating value for their clients and for the supply chains that they serve," said Sylvie Vachon, president and CEO of the Montreal Port Authority (MPA). "Our Port+ strategy does just that."

Containerization facility

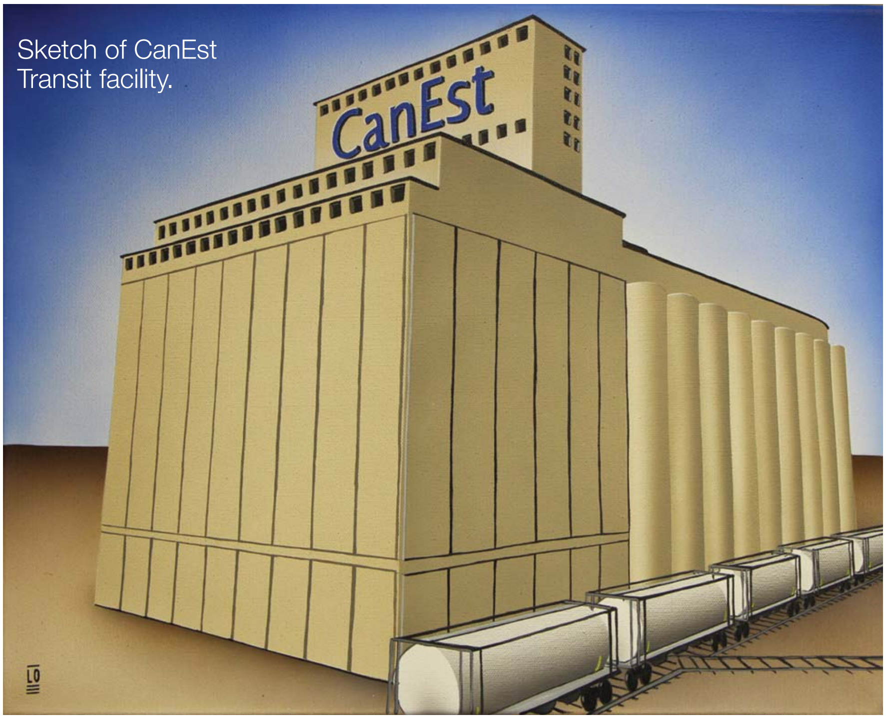
A new facility on port territory that will specialize in the cleaning and containerization of agricultural products destined for local and international markets is "a perfect fit with our Port+ strategy to offer value-added services to our users and to attract new clients," Ms. Vachon said.

CanEst Transit Inc. will operate the new containerization facility. The company has signed a long-term lease with the MPA to operate out of the port's former Grain Elevator No. 3 annex. The centre is scheduled to open July 15 upon completion of a $22-million modernization project, including the installation of new conveyors, scales and other equipment.

CanEst Transit will receive by rail and truck, and store, clean and containerize bulk agricultural products from Quebec, Ontario, Western Canada and the U.S. Midwest. It will also offer bagging services. Once agricultural products are cleaned and ready for loading, trucks will proceed to one of three chutes – two for containers and one for bags to be loaded into containers. CanEst Transit will be able to load eight containers per hour as well as two different products simultaneously.

Containers will be transported by truck to local markets or directly to the Port of Montreal's container terminals for onward transit by vessel to the international markets that the port's container lines serve, including Western and Eastern Europe, the Mediterranean, North Africa and Asia.

"The proximity of port facilities is a major advantage in the agri-food industry," said Réal Bélanger, general manager of CanEst Transit, in reference to the Port of Montreal's strategic geographic location. "Montreal has always been a major shipping and receiving centre for agricultural products from Quebec, Ontario, Western Canada and the U.S. Midwest. With this facility, we will be able to offer a new service right on the port for the cleaning and containerization of agricultural products."



Sketch of CanEst Transit facility.

The facility will bring greater volumes of dry bulk traffic into the port, which handled 6.55 million tonnes of cargo in this sector in 2013, its best year in this traffic category in almost a decade.

CanEst Transit was founded by agri-food group La Coop fédérée, holding company Transit BD Inc., and MGT Holdings S.A.R.L., which operates two container terminals in the Port of Montreal.

The new facility will have an initial storage capacity of 68,000 tonnes, divided among 56 silos of 900 tonnes each and 35 silos of 300 to 500 tonnes each. This will be ideal for identity preservation of all products handled at the complex. The facility will be able to receive up to 50 railcars.

Clients will include leading agri-business companies. "With the assortment of shipping lines and two railway companies serving the Port of Montreal, our new service will be able to offer competitive costs," Mr. Bélanger said. "The fact that we can receive railcars and store product immediately will eliminate any demurrage charges."

Electronic navigation

A new tool that allows shipping lines to maximize their use of the water column in the St. Lawrence River navigation channel to Montreal is another important value-added service in the Port of Montreal. With the assistance of key partners, the MPA has developed a portal that provides in real time the available water column in the channel. With real-time information and computer simulations, ships leaving Europe eight days before arriving in Montreal will now have better-quality information, which will allow them to optimize vessel loading.

The project involved the MPA and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major partners including the Canadian Coast Guard and the Canadian Hydrographic Service.

Partnership

The Port of Montreal is also working to build new partnerships. It has played a key role in the creation of CargoM, the Logistics and Transportation Cluster of Metropolitan Montreal. Ms. Vachon is the chair of the board of directors of CargoM.

The mission of CargoM is to gather all stakeholders from logistics and goods movement, whose operations make Greater Montreal a hub, to work on shared goals and take concerted action to strengthen cohesion, boost competitiveness and extend influence. More precisely, CargoM will promote Montreal as a logistics and freight transportation hub. It will introduce best practices and leading-edge technologies.

CargoM launched three working groups in 2013. “CargoM working groups are dedicated to advanced thinking and developing actions on the cluster’s priority issues,” said Mathieu Charbonneau, executive director of CargoM. “They support the board of directors by recommending the most appropriate strategies and ensuring their implementation.”

Most recently, the Logistics and Transportation Development Opportunities working group held a workshop on logistics parks on February 18. “It was a huge success with 90 participants,” Mr. Charbonneau said.

The Communications and Outreach working group unveiled in January a profile of Greater Montreal’s logistics and transportation industry prepared by KPMG-Secor. The study will allow CargoM to identify priority action areas and develop specific projects.

The working group entitled Access and Fluidity for Truck Transportation in Greater Montreal is working, among other projects, on the Ottoview pilot project, in partnership with Transport Canada, to equip trucks with digital recorders that collect data on truck movements in order to develop strategies to improve traffic flows in the region.

CargoM will launch three new working groups in 2014: Best Practices and Technology, Regulations, and Human Resources/Workforce.

Fluidity and reliability

The port is also working to further enhance its services. Following agreements that the MPA signed with Canadian Pacific and Canadian National railways and its terminal operators to improve supply chain efficiency, the average dwell time for imported containers at the Port of Montreal has decreased by 40 per cent in the past five years.

The port has been working closely with terminal operators lately to enhance the quality of its data, moving ahead with a new partnership aiming to create a more open data-exchange environment. This continuous improvement process has enabled the port to recently restate its import dwell-time performance based on better information and visibility on container movements at its terminals. The average container dwell time for rail imports (elapsed time from vessel discharge until loaded to railcar) in 2013 averaged 2.0 days, just within its set target of 48 hours. “This is considerably less than North American East Coast standards, thanks to our unique rail model,” Ms. Vachon said.

“Containers are in and out of the port quickly,” added Brian Slack, a geography, planning and environment professor at Concordia University in Montreal and an expert on maritime transport and intermodality. “Historically, the port has operated

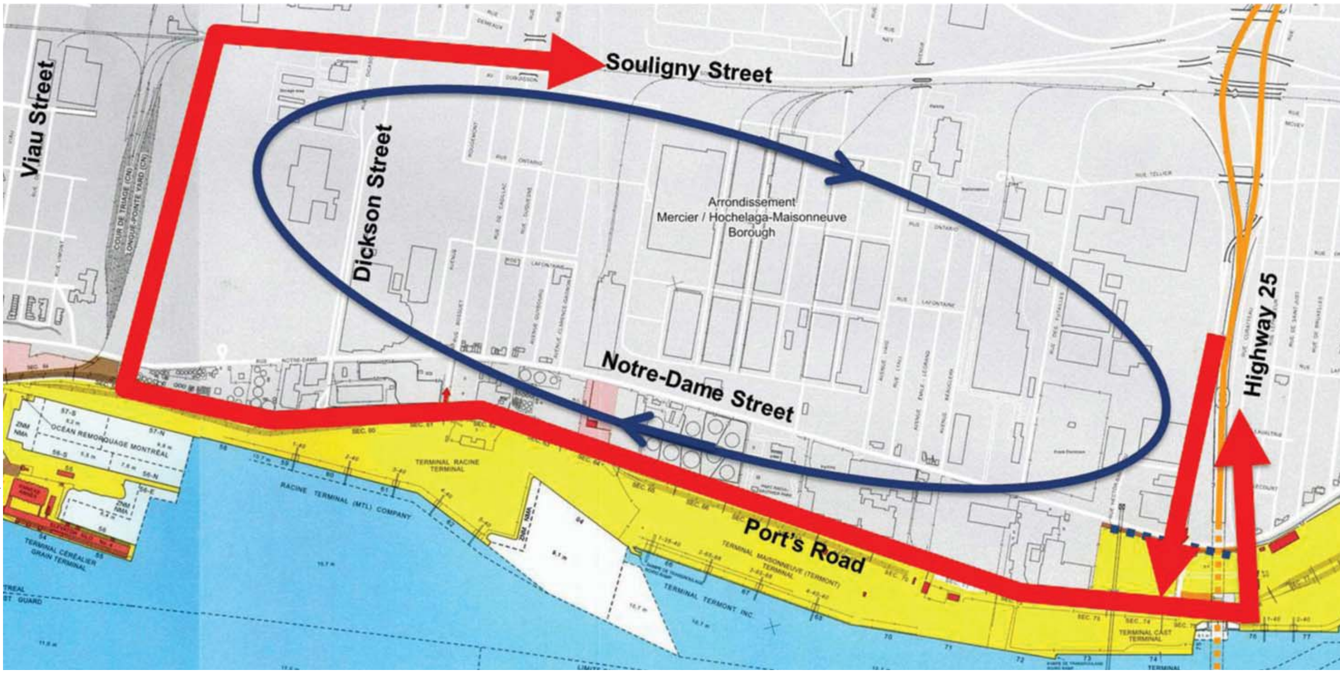


Illustration: Montreal Port Authority

Two major projects will improve truck access at the Port of Montreal.

on a very constrained site, which has forced it to operate at high levels of efficiency. However, the port cannot rest on its laurels in this regard."

Meanwhile, the MPA, the Quebec Transport Ministry (QTM) and the City of Montreal have worked collaboratively on two major projects that will improve truck access at the Port of Montreal. The QTM announced last May the signature of a collaborative framework with the City of Montreal for the extension of L'Assomption Boulevard, a new transportation route that will connect with Souligny Avenue and thereby allow trucks leaving the port to directly access the highway network. A port exit will be built to join this new stretch of road.

The QTM also announced the construction of a Highway 25 exit ramp leading south that will allow trucks to directly reach the port's common truck entry portal located at the corner of Notre-Dame and De Boucherville streets. Meanwhile, the reconfiguration of the entrance ramp leading north on Highway 25 will provide trucks leaving the port at the Louis-Hyppolyte Lafontaine Bridge-Tunnel with direct access to the highway network.

Post-Panamax-type ships now sailing to Montreal

Carriers able to increase capacity on their services through port

Numerous vessels already have benefited from a decision allowing post-Panamax-type ships to sail to Montreal. The Canadian Coast Guard (CCG) authorized last May the passage of vessels up to 44 metres wide in the Quebec-Montreal section of the St. Lawrence River navigation channel. The previous authorized width was 32.1 metres without restrictions.

The CCG made the provisions following a study commissioned by the Montreal Port Authority (MPA) and conducted jointly with Transport Canada, the CCG, the Laurentian Pilotage Authority and the Corporation of Central St. Lawrence Pilots.

"This decision is good news for the port, for our shipping lines, and for the shippers who move cargo through Montreal," said Sylvie Vachon, the MPA's president and CEO. "It will allow the Port of Montreal to strengthen its position as North America's leading port for container traffic with Europe, and it will reinforce Montreal's strategic position as a logistics and transportation hub of choice for all types of cargo."

Specifically, the new provisions make it possible for all post-Panamax-type vessels, including 6,000-TEU (20-foot equivalent unit) container ships, to reach Montreal. The port can also now accommodate oil tankers with a cargo carrying capacity of 500,000 barrels, up from 350,000 barrels, and dry bulk ships that can transport 65,000 tonnes of cargo, up from 35,000 tonnes.

"Shipping lines, no matter what type of cargo they carry, will be able to substantially increase capacity on their services to Montreal, which will inevitably lead to benefits for the port's broad customer base," Ms. Vachon said. "We hope that carriers will take full advantage of the fact that the Port of Montreal can now accommodate post-Panamax-type vessels."

A total of five vessels, over the course of six different calls, already have benefited from the new provisions. Three of the vessels are Aframax oil tankers, including the largest petroleum tanker to ever visit the port. The MT Overseas Portland, carrying 475,000 barrels of crude oil, docked at the Suncor berth at Section 109 on December 5. It had sailed from St. James, Louisiana, on November 26. Built in 2002, the 112,139-deadweight-tonne MT Overseas Portland is 250.2 metres long and 44 metres wide.

The two other Aframax oil tankers visited the Canterm berth at Section 94. They are the NS Leader, which arrived on August 12, and the NS Concept, which called on July 12.

The P-MAX Stena Progress, an oil tanker that also sailed to Montreal under the new regulations, visited the Canterm berth on two separate occasions, on May 7 and August 18.

The Aframax oil tanker NS Leader visited the port last August.

Photo: Montreal Port Authority

The fifth vessel to benefit from the new provisions is the LBC Energy, a bulk carrier that loaded grain at the Port of Montreal's grain terminal on October 20.

"The Canadian Coast Guard provision allowing wider vessels to sail to Montreal is a big breakthrough for the port," said Brian Slack, a geography, planning and environment professor at Concordia University in Montreal and an expert on maritime transport and intermodality. "(In the container sector), shipping lines base their operations on slot costs and how many containers they can load onto a ship. Using larger ships allows carriers to benefit from economies of scale, leading to greater profitability."

With the minimal depth of navigable waters to Montreal currently at 11.3 metres, the decision also allows the port to better compete with U.S. rivals that are "dredging like mad" to accommodate bigger and bigger container ships, Mr. Slack said.

"Larger ships should provide economies of scale, which should lead to operational efficiencies and hopefully lower costs," said Christopher Gillespie, president and CEO of Gillespie-Munro Inc., a full-service Canadian freight forwarding firm based in Montreal. "But if these ships enter a low-demand, oversupplied market where rates are already depressed, these economies are probably viewed by carriers as simply a way for them to make ends meet under current circumstances.

"The potential, though, is to enable more commodity cargoes to move from the Port of Montreal at prices equivalent to those where such higher-capacity vessels currently serve."

The average size of container ships sailing to Montreal has increased by a factor of eight since 1975. The largest ships calling the port back then carried up to 750 TEUs. That number increased to 1,800 TEUs in 1981, and 2,800 TEUs in 1996, as container ships were redesigned. In 2003, OOCL and the former CP Ships built and assigned to their Montreal routes 32.1-metre-wide Panamax-size ships capable of transporting 4,100 TEUs.

Canada-EU trade accord to provide significant benefits

Montreal strategically located between world's two largest economic blocs

The new economic and trade agreement between Canada and the European Union (EU) is expected to provide significant benefits for the Port of Montreal.

"We are the leading port on the North American East Coast for trade between Northern Europe and North America's industrial heartland," said Sylvie Vachon, president and CEO of the Montreal Port Authority (MPA). "With our strategic location between the world's two largest economic blocs, the EU and NAFTA, the Port of Montreal is the natural gateway for Europe."

Ocean transit time between Montreal and Europe is only eight days. In North America, the port provides access to 40 million consumers within one trucking day and another 70 million consumers within two rail days.

European markets, including the Mediterranean, already represent 39 per cent of total traffic and close to 65 per cent of container traffic moving through the port. Moreover, the province of Quebec accounts for 35 per cent of Canadian exports moving to Europe. These exports, in particular those transported by container, move for the most part through the Port of Montreal.

Additionally, 98 per cent of Quebec importers and exporters and 93 per cent of Ontario exporters and importers choose the Port of Montreal to reach European markets.

Canadian Prime Minister Stephen Harper and European Commission President José Manuel Barroso announced on October 18 an agreement in principle on the Comprehensive Economic and Trade Agreement between Canada and the EU. One week later, International Trade Minister Ed Fast and Public Security and Emergency Preparedness Minister Steven Blaney, accompanied by representatives of the business sector, participated in a press conference at the MPA administration building to discuss the accord.

The federal ministers said that workers and companies from the major sectors of Quebec's economy will benefit greatly from the deal.

Among the main exports that will benefit from the new agreement are agri-food products such as pork and beef, and certain finished and semi-finished products such as aeronautic parts, and pulp and paper.

"This agreement looks fantastic for the Port of Montreal," said Brian Slack, a geography, planning and environment professor at Concordia University in Montreal and an expert on maritime transport and intermodality. "Europe is the Port of Montreal's main overseas trading partner, and the port is already reaping the benefits of trade with this market. The contacts, the sales teams, the infrastructure already are there.

"This agreement can really only benefit Montreal. It will be a plus for attracting types of goods – western beef, for example – that could be exported out of Montreal."

Photo: Foreign Affairs, Trade and Development Canada

International Trade Minister Ed Fast (centre) and Public Security and Emergency Preparedness Minister Steven Blaney (third from left) joined MPA President and CEO Sylvie Vachon (fourth from right) and representatives of the business sector to discuss the accord.

Market diversification efforts pay dividends for port

Transshipment services make Montreal a viable option for reaching Asia

The Port of Montreal is working to further diversify the international markets it serves. Traditionally, the port served markets on the North Atlantic, but over the past 10 years its overseas scope has widened considerably.

Today, one container in three leaving or arriving in the Port of Montreal is transshipped. For example, an export container leaving the port aboard a medium-sized vessel might be transshipped at a Northern European port such as Antwerp or Liverpool, or a Mediterranean port such as Valencia, for onward movement aboard a mega-ship via the Suez Canal to markets in Asia or the Middle East. Or it might be transshipped at Freeport, Bahamas, for a final destination in South America.

"Ten years ago, who would have thought that the Port of Montreal would one day compete with West Coast ports for shipments to and from Asia?" said Sylvie Vachon, president and CEO of the Montreal Port Authority. "Thanks to transshipment services via the Suez Canal, the Port of Montreal today is a viable alternative to West Coast ports for reaching the Pacific Rim."

In 2000, Northern Europe was the point of origin or final destination for 77 per cent of the containers moving through the port, followed by the Mediterranean at 19 per cent, and Latin America and Africa at 1 per cent.

Today, Northern Europe still remains the leading trade route with Montreal. It was the point of origin or final destination for 44.4 per cent of the containers moving through the port in 2013, followed by the Mediterranean at 20 per cent. But Asia, at 13.8 per cent, the Middle East, at 8.3 per cent, Latin America, at 6 per cent, and Africa/Oceania, at 4 per cent, are all now part of the port's container mix. China alone now accounts for 7 per cent of the port's containerized cargo traffic, and it is about to surpass dominant traditional markets such as the United Kingdom.

"It is interesting to see how Montreal has begun to get trade with Asia," said Brian Slack, a geography, planning and environment professor at Concordia University in Montreal and an expert on maritime transport and intermodality. "With transshipment, I see opportunities in Montreal from South Asia – India and Pakistan – and the Middle East."

On the import side, Montreal is a viable option to West Coast ports for Asian products, in particular for seasonal commodities with early production schedules, said Peter Sancho, senior vice-president of Total Logistics Partner (TLP) Ocean Consolidators Inc. TLP is a Canadian wholly owned freight forwarder specializing in import freight from Asia to North America. One of the platforms it has offered over the years is the concept of alternate gateways through varied gateway entry ports.

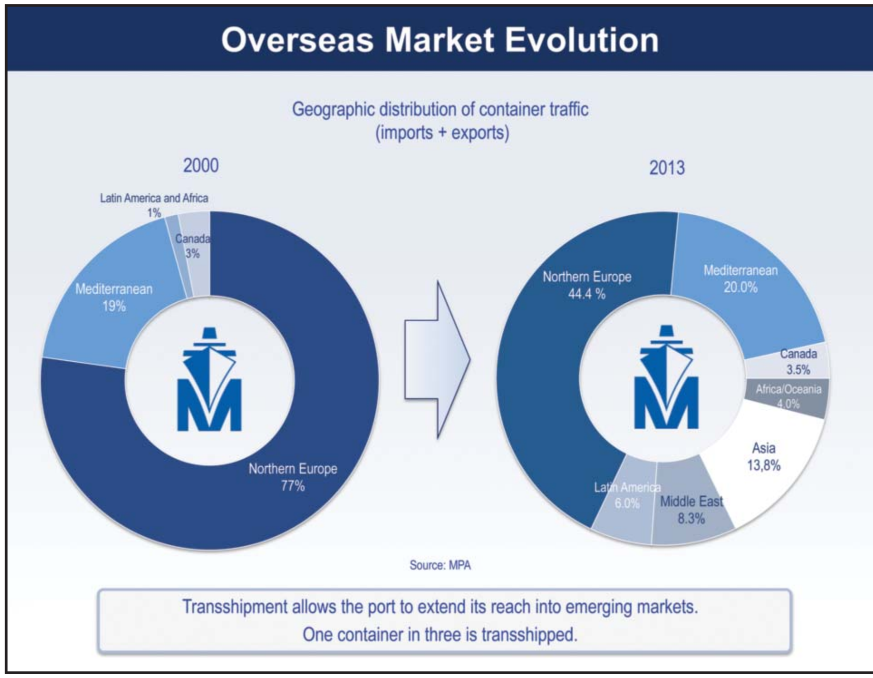
"This type of cargo is not time sensitive," Mr. Sancho said. "The longer transit time (to Montreal) shortens inventory shelf times. There are additional cost savings to users."

From an operational standpoint, rail requirements are not necessary for importers located in the Quebec region. "For other parts of Canada, Montreal is a major Canadian hub with multimodal options available," Mr. Sancho said. "Certainly for Eastern Canada, these multimodal services would be much less costly than moving through Canadian Western ports."

While transit times to Montreal from Asia are longer than mini-landbridge services through the West Coast and comparable to some all-water services to the Eastern Seaboard, "the sailing times and, by extension, transit times to Montreal are consistent," Mr. Sancho said. "For mini-landbridge services, transit times can vary greatly. Winter 2013-14 has served as a perfect example, with regular delays exceeding one week. Adjusted rail capacity for the winter months, the occasional system breakdown, and by extension port congestion are very significant factors.

"The Port of Montreal, meanwhile, is within a six-hour radius of Canada's manufacturing hub, with access to Canada's two major railways and a wide selection of short- or long-haul carriers."

Mr. Sancho said many major retailers enhanced their distribution networks significantly during the contract dispute at U.S. West Coast ports in 2002. "To minimize the impacts of future contract disputes, the major retailers expanded distribution centres across the Eastern Seaboard, which has had its challenges with both contracts and congestion," he said. "I believe Montreal can position itself to be a very viable added option."



On the export side, "Canada is resource rich and by extension exports primarily raw materials," Mr. Sancho said. "The competition is global. Cost is critical. Supply chain efficiency is one cost factor that can be influenced, unlike currency valuation, for example.

"Montreal offers a competitive option with the major carriers offering direct calls. This is a huge factor in the availability of equipment. Again, with links to Canada's two major railways, it has a solid support infrastructure. For shippers in Canada, particularly in the eastern half, and for the eastern and Midwest U.S., Montreal offers major shippers access to world-class carriers and services, covering key global destinations, and Asia is certainly not an exception."

As part of its business development strategy, the Port of Montreal added in 2013 a Hong Kong-based representative in Asia to its representation in the United States and Europe. Jeremy Masters is working to develop markets in Southeast Asia and India.

Mr. Masters was president of Canada Maritime and worked for CP Ships prior to founding Shipping Masters (HK) Limited eight years ago. He lived in Montreal for 14 years and is extremely well acquainted with the port.

In Europe, Giulio Schenone and Alessandro Barberis, of the Genoa-based Medov shipping agency, represent the Port of Montreal. Their mandate is to develop the European market not only for cargo but also within the cruise industry.

The port's representative in the U.S. is Detroit-based Donald Finnerty, of Knight Global Solutions. Mr. Finnerty has more than 25 years of experience in international transportation. Most notably, he has held senior positions with CP Ships and Canada Maritime. He was also president of Aseco Container Services.

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THE GREAT
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F_{max}
t_1
t_2
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MARINE INGENUITY

Port well prepared to handle more traffic

Invests record $55 million in its infrastructure in 2013

The Montreal Port Authority (MPA) maintains its infrastructure to the highest standard in order to provide its tenants with first-rate facilities. It invested a record $55 million in its infrastructure in 2013, surpassing the previous record of $41 million set in 2009.

The new economic and trade agreement between Canada and the European Union, an increasing amount of traffic moving on transshipment services via the Suez and Panama canals, and opportunities in the dry and liquid bulk sectors are expected to bring more traffic to the Port of Montreal in the years ahead. And the port is well prepared to handle these additional volumes of cargo.

"We are continuing to work on projects to attract clients in all sectors of activity – containers, dry and liquid bulk, and cruise," said Sylvie Vachon, the

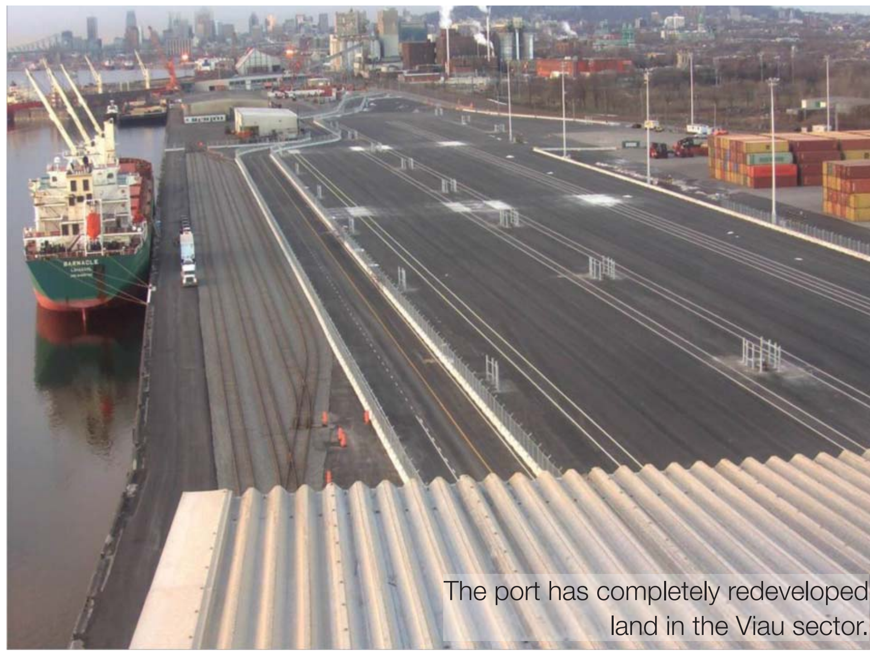

The port has completely redeveloped land in the Viau sector.

Photo: Montreal Port Authority

MPA's president and CEO.

The port has increased its container-handling capacity by 13 per cent to 1.7 million TEUs (20-foot equivalent unit containers) by completely redeveloping land in the Viau and Maisonneuve sectors.

The Viau sector site is 16.5 hectares. Its annual container storage capacity stands at 150,000 TEUs following the redevelopment project. Railway tracks were relocated and sewer and water systems, lighting and the underground electrical network were redeveloped in order to fully optimize operations at the site. A soil recovery and reuse project employed a soil encapsulation technique that allowed the MPA to reuse 44,000 tonnes of poor soil that had been extracted at the site. The extracted soil was mixed with cement to increase solidity and then re-deposited at the bottom of excavated areas.

At the Maisonneuve sector, space for another 50,000 containers was added at the site. The port also built a new longshoremen's hall and a new parking area and maintenance garage for equipment and vehicles used by longshoremen.

Transport Canada contributed $14.8 million to the Viau and Maisonneuve projects.

The Port of Montreal also owns land along four kilometres of waterfront at Contrecoeur, located about 40 kilometres downstream from its facilities on the island of Montreal. This land will be used to increase the port's container-handling capacity once land on the island of Montreal reaches full capacity.

"Within the context of the new free-trade agreement with the European Union and transshipment opportunities via the Suez Canal, our vision to expand the port to our land at Contrecoeur takes on added significance," Ms. Vachon said.

The Port of Montreal has also been working to develop opportunities in the liquid bulk sector. The port handled 9.55 million tonnes of liquid bulk traffic in 2013, its third-best year ever in this cargo category. "We are looking to increase traffic in this sector by taking advantage of opportunities related to the growth of Canada's petroleum products industry," Ms. Vachon said.

The MPA is redeveloping an area of the sector where petroleum products are handled, in accordance with an agreement it has with Valero Energy Corp. The MPA is repairing berths and berth walls and increasing berth depth at Sections 101, 102, 105 and 106. It is also extending the length of the berth at Section 102 so that it can accommodate larger vessels.

In the dry bulk sector, CanEst Transit Inc. will operate a new facility on port territory starting this summer that will specialize in the cleaning and containerization of agricultural products destined for local and international markets. CanEst Transit has signed a long-term lease with the MPA to operate out of the port's former Grain Elevator No. 3 annex. The centre is scheduled to open July 15 upon completion of a $22-million modernization project, including the installation of new conveyors, scales and other equipment.

Cruise business sails full steam ahead

Montreal welcomes record number of passengers in 2013

Photos: Montreal Port Authority

Jean-Charles Côté is the port's customer service and cruise coordinator. He is responsible for the quality of customer service provided to cruise passengers arriving in Montreal and ensures coordination among all partners involved in the cruise sector.

The cruise business continues to grow at the Port of Montreal, which welcomed a record 55,611 passengers over the course of 47 calls in 2013.

The Montreal Cruise Committee succeeded in its efforts to attract more cruise passengers to Montreal while encouraging them to spend extra time in the city before or after their cruise. "The cruise industry brings some $14 million to the local economy annually," said Nathalie Gaudet, project manager for the Montreal Cruise Committee.

Supported by Tourism Quebec, the Montreal Cruise Committee is an initiative in which the Montreal Port Authority (MPA) and Tourism Montreal have teamed up with the City of Montreal and five local associations and organizations – Aéroports de Montréal (Montreal airports), the Hotel Association of Greater Montreal, Montreal Casino, the Old Montreal Business Development Corporation and the Old Port of Montreal – to promote Montreal as a cruise destination of choice. Among the projects it has undertaken is the creation of a microsite – www.cruisesalamontreal.com – dedicated to providing key information to the cruise and travel trade industries.

Tourism Montreal has also produced a series of videos that showcase Montreal to cruise enthusiasts and travel agents. The videos are available on Tourism Montreal's YouTube account and on the www.cruisesalamontreal.com microsite.

In addition to welcoming an increasing number of passengers, the port is preparing itself to welcome larger cruise vessels following an announcement by Hydro-Québec last fall that it will raise two power lines above the St. Lawrence River. The decision means that cruise ships carrying up to 3,000 passengers will soon be able to reach Montreal. The largest cruise vessels currently sailing to the port can accommodate up to 2,500 passengers.

Following a request from the MPA, Hydro-Québec will tighten power cables in late 2014 at Trois-Rivières and Boucherville, located downstream from Montreal, providing a clearance of 52 metres under the wires for vessels sailing to the port.

The power lines are lower in height than the Laviolette Bridge in Trois-Rivières,

The port welcomed in 2013 the 2,500-passenger AIDAbella to its Iberville Passenger Terminal, which now features new eye-catching signage that allows cruise vacationers to more easily find their way around the facility.

the lowest insurmountable obstacle on the St. Lawrence River for vessels prior to arriving in Montreal. The bridge has 52 metres of clearance under its structure.

Air draft – the height of the part of a ship that is out of the water – is vital for vessels, especially cruise ships that are built higher than cargo ships because of their multiple passenger decks.

"I commend Hydro-Québec for committing to take action," said Sylvie Vachon, the MPA's president and CEO. "This is excellent news for the cruise sector in Montreal, which has continued to evolve over the past three years thanks to the work of our marketing and operations teams and the support of Montreal Cruise Committee partners."

For its part, the MPA revamped its Iberville Passenger Terminal last year. It painted the interior walls and added new eye-catching signage so that cruise passengers can easily find their way around the terminal. It painted the outer walls light grey. On the parking side, it painted the outside wall Port of Montreal blue, overlaid with an elegant, stylized white ship.

Nevertheless, the MPA is currently evaluating an improvement project for the cruise terminal that it would like to develop in concert with Montreal's 375th anniversary in 2017.

The port further enhanced its cruise services last year with the appointment Jean-Charles Côté as customer service and cruise coordinator. He is responsible for the quality of customer service provided to cruise passengers arriving in Montreal and ensures coordination among all partners involved in the cruise sector.

The port also won an award for its cruise operations from the prestigious *Cruise Insight* magazine for a fifth consecutive year in 2013. The port took home the prize for *Most Efficient Port Services*. The award recognizes the port's efficient combination of port agency and customs services and its strong working relationship with cruise line operations departments.

The port also welcomed in 2013 the largest cruise ship to ever visit Montreal. The 253-metre-long AIDAbella, operated by Aida Cruises, can accommodate 2,500 passengers and close to 650 crew. She will return to Montreal twice in 2014.

"The 2014 season is looking very good," Ms. Gaudet said. "We are expecting to see some 60,000 international passengers and crew members between May 17 and November 11."

Indeed, the port will welcome for the first time cruise ships during the month of November. Montreal's cruise season has traditionally ended in mid to late October.

Also new this year, more German ships, most notably the luxurious MS Europa, will visit the port.

"For its part, the Montreal Cruise Committee will increase its efforts to ensure that cruise lines include Montreal on their itineraries and that they offer pre- or post-cruise packages to their clients," Ms. Gaudet said. "Furthermore, we will launch an extensive advertising campaign geared to travel agents in an effort to position Montreal as a destination of choice for passengers cruising the St. Lawrence River."

Port handles 28.2 million tonnes of cargo in 2013

The Port of Montreal handled 28.2 million tonnes of cargo in 2013, down only slightly from the previous year and from its record-setting year of 28.5 million tonnes in 2011.

"Considering the weak economic growth in developed countries, we can say in all honesty that 2013 was a good year for the Port of Montreal," said Sylvie Vachon, president and CEO of the Montreal Port Authority. "The total volume of traffic was down by less than 1 per cent compared with 2012."

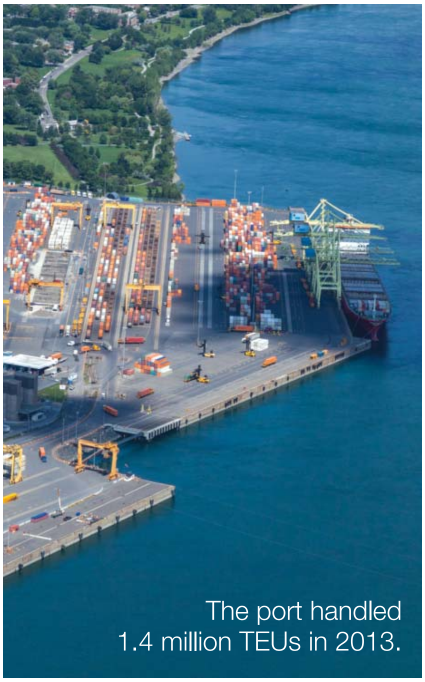
The port handled 11.9 million tonnes of containerized cargo in 2013, down 1.1 per cent from the previous year. Some 1.4 million TEUs (20-foot equivalent unit containers) moved through the port in 2013. "The economic slowdown in European and North American markets affected trade," Ms. Vachon said. "But the impact on the Port of Montreal was offset by the strength of new, growing markets in Asia, the Middle East and the Mediterranean."

Non-containerized general cargo traffic was up 22.7 per cent to 159,677 tonnes thanks mainly to increased volumes of metal products.

Close to 9.55 million tonnes of liquid bulk cargo moved through the port last year, down 1.7 per cent from 2012. Nonetheless, it was the port's third-best year ever in this cargo category.

Dry bulk traffic was up 0.2 per cent to 6.6 million tonnes due mainly to increased movements of iron ore, fertilizers and scrap metal.

"Looking ahead, the economic recovery seems to have taken hold in the United States, and Europe should experience some growth this year," Ms. Vachon said. "The declining Canadian dollar should help our exports. Although we must remain prudent, we expect our total traffic to increase in 2014."



The port handled 1.4 million TEUs in 2013.

Photo: Montreal Port Authority

April 8, 2014 – Fairmont, The Queen Elizabeth, Montreal (Québec)

900, Rene Levesque Blvd W, Montreal, H3B 4A5

CILT's 13th Annual Transportation Outlook Conference*

The New Energy Reality in North America: Challenges & Opportunities for the Logistics and Transportation Industry

Keynote Speakers

Françoise Bertrand
John Parisella

8:00 Registration, coffee & networking

8:25 Co-President's Welcome Address

Gilles Legault, FCILT, President, CILTNA (Quebec)
Bob Armstrong, President, CILTNA

8:30 Opening of the morning session

Pierre Cléroux,
Vice-President Research &
Chief Economist
Business Development Bank of Canada

8:50 *Question Period*

9:00 Energy Policy

Moderator: Lou Smyrlis, Transportation Media

Monica Gattinger, Associate Professor
School of Political Studies, University of Ottawa
Jeffery Elliott, Transportation & Energy Specialist

10:00 Host Province Keynote Speaker

Francoise Bertrand, President, Fédération des chambres de commerce du Québec

10:30 *Health Break*

10:45 Modal Transportation (I)

Moderator: Lou Smyrlis, Transportation Media

Eric Prud'Homme, Director, Public Affairs, Enbridge
Michael Bourque, President, Railway Assoc. of Canada
Christopher King, Director of Operations, Petro-Nav

11:45 Question Period

12:00 Lunch

12:50 Luncheon Keynote Speaker

John Parisella, Executive Director Campus Montreal and Invited Prof. UdM's International Relations Center

13:30 Warren Everson, Senior Vice President Policy, Canadian Chamber of Commerce

14:15 Modal Transportation (II)

Moderator: Ian MacKay, Conlin Bedard LLP

Yoss Leclerc, VP & Chief Marine Operations, Quebec Port
Stephen Brown, President, Chamber of Shipping of BC
Neil R. Wilson, Executive Vice-President, Administration and General Counsel, Nav Canada

15:15 *Health Break*

15:30 Legal

Moderator: Ian MacKay, Conlin Bedard LLP

Julie Normand, Director Legal services, Valero]
Marie-Christine Hivon, Energy Lawyer, Norton Rose
Eric Harvey, Regulatory Counsel, CN

16:30 *Question Period*

16:45 Closing Speech – CILT in the World

Hon. David Collenette, FCILT, Chairman of the Board, CILTNA

17:00 End of Conference

Register by

- Credit Card via our website at www.ciltna.com (PayPal)
- Email: Admin@ciltna.com
- By telephone: 613-738-3003
- By Fax 613-738-3033
- By regular mail (cheque) to CILTNA
  1435 Sandford Fleming Ave Suite 20
  Ottawa, ON K1G 3H3

Registration Fees

CILTNA Members	$ 450.00	Students	$ 105.00
Non-Members	$ 565.00	Groups (10+)	$ 375.00
Retired Members	$ 335.00	Government	$ 375.00

Optional
Pre-conference dinner $ 45.00

(Receipts will indicate taxes paid)

April 7, 2014 – 5.00 pm – Port of Montreal Building. 2100 Av. Pierre Dupuy, Wing 1

From left to right: Wendy Zatylny, President, Association of Canadian Port Authorities; Jean-François Bilodeau, President, The Grunt Club; and Betty Sutton, Administrator, Saint Lawrence Seaway Development Corporation.

GRUNT CLUB celebrates 79th Annual Dinner

GRUNT CLUB celebrates

Grunt Club President Jean-François Bilodeau presents donation cheque to Carolyn Osborne, Mariners' House of Montreal General Manager.

Grunt Club President Jean-François Bilodeau (right) with Daniel Dion of the Institut maritime du Québec.

HEAD TABLE GUESTS

Photos: Bruce Field

79th Annual Dinner

More than 1,100 people – members of shipping/marine community and transportation industry and their guests – attended the Grunt Club's 79th Annual Dinner in Montreal on December 6.

Grunt Club President Jean-François Bilodeau presided over the event.

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 Sainte-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.

Grunt Club President Jean-François Bilodeau presents cheque to representative of the Fondation de l'Hôpital Sainte-Justine.

Grunt Club President Jean-François Bilodeau presents cheque to representative of the Montreal Children's Hospital Foundation.

GRUNT CLUB PRESIDENTS PAST AND PRESENT

Leading women in logistics come together to celebrate International Women's Day and to inspire change

For more than a century, International Women's Day (IWD) has recognized the enormous economic, social and political contributions of women around the world. This year's theme '*Inspiring Change*' was the focus of UPS Canada's 'The Future of Women in Logistics' panel discussion which took place on March 7. The event was an opportunity to gather women and men alike to discuss the changing industry of logistics and how women in particular can build their career in this field. Valuable insights from thought leaders from across the industry were shared with local businesses, government officials, UPS senior staff as well as the UPS Women's Leadership and Development (WLD) committee.

The panellists included Dr. K. Kellie Leitch, Ontario Minister of Labour and Minister of the Status of Women; Romaine Seguin, President, UPS Americas; Joy Nott , President, Canadian Association of Importers and Exporters; Debra Dinger, trade and compliance Manager, Supply Chain, Ericsson; and Julia Kuzeljevich, Associate Editor, Canadian Shipper (moderator).

"Our Government is committed to promoting the recruitment and advancement of women in all sectors and at all levels of the economy," said the Honourable Dr. K. Kellie Leitch. "I encourage all organizations to support women through ongoing mentorship, leadership and skills training. This is good for women, good for business and good for Canada."

UPS leaders within different functions of the business attended the event to share their personal stories - challenges and successes - working in the logistics industry.

Be it freight, operations, procurement or logistics, a 2012 study by the Van Horne Institute titled *Women in Supply Chain* found that women are presently under-represented within the industry. The study concluded that attracting and retaining more women was the overarching solution to addressing the growing Canadian labour shortage. The Van Horne Institute most recently reported 26,852 vacant supply chain positions across Canada , growing to about 356,747 vacancies by 2017.

Photo: CNW Group/UPS Canada Ltd.

To celebrate International Women's Day, the UPS Women's Leadership Development committee hosted a panel event in Toronto discussing the future of women in logistics.

The UPS WLD program was launched in 2007. It was designed to provide an integrated series of tools and practices to bring talented women from the hiring phase, through skills development and into higher levels of responsibility within the organization.

In its seventh year, the WLD Program is focused on fostering change and expanding strength in talent through diversity by improving retention of women at supervisor and manager levels, by developing women on the management team to enrich the pipeline of talent for higher level positions, and by positioning UPS for future business growth opportunities with women entrepreneurs.

"International Women's Day represents the global effort to ensure there are opportunities for all and to inspire change," said Michael Tierney, President, UPS Canada. "It's incredibly important to celebrate and support women's advancements not only once every 365 days, but year-round. In 2013, the UPS WLD committee in Canada hosted nearly 100 events with 1,000 participants - a success worth celebrating. As an organization, we are committed to creating an environment where our employees can improve their skill sets and share their strengths through continued training, mentorship programs and thought leadership." Designed around leveraging networks and business connections, UPS runs its WLD program across its International operations. The training, development and networking aims to support a positive step forward for women working in logistics around the globe.

Viterra completes acquisition of Lethbridge Inland Terminal Ltd.

Viterra Inc. announced that it has completed its acquisition of certain assets of Lethbridge Inland Terminal Ltd. (LIT), including a high throughput grain elevator with a capacity of 42,000 tonnes. The agreement was originally announced in December, and has received all pertinent shareholder and regulatory approvals.

Kyle Jeworski, Viterra's President and CEO for North America said, "We are excited to integrate this high quality terminal into our operations, and welcome its employees to the Viterra team. Together, we look forward to providing area customers with trusted advice and tailored service, backed by Viterra's expansive asset network and connections to world markets."

Over the last several years, Viterra has made a series of infrastructure investments in its asset network to promote the efficient movement of agricultural commodities. Most recently in Alberta, Viterra announced it is spending over $34 million through an expansion and upgrade to its facility in Grassy Lake, as well as building a high throughput terminal in Grimshaw.

Inadequate icebreaking capability harming the economy

With the Great Lakes and St. Lawrence Seaway facing the thickest and broadest ice cover in years, the Canadian Shipowners Association (CSA) is concerned that Canada's ice-breakers are unable to create and maintain the routes needed to move key cargo to Canadian and American industries. The Canadian Coast Guard is doing its utmost to work with resources across a large geographical area subject to heavy ice, but this situation is rippling into Canada's transportation and economic system.

Concerns over ice conditions and the ability of the Canadian Coast Guard to provide sufficient ice-breaking has delayed the opening of the St. Lawrence Seaway past opening dates achieved in recent years. Despite Canadian government efforts to encourage the movement of Canadian grain, it will remain stored in ports such as Thunder Bay until ice-breakers open ports and support ship movements. Not only are Canadian grain movements threatened by insufficient ice-breaking, so too are other industries with already low stocks of commodities such as iron ore, construction materials, salt and petroleum products which are moved by ships.

CSA and its members have advised the Canadian Coast Guard of the need to employ three ice-breakers to support the opening of the Great Lakes - Seaway system. Disappointingly, the Canadian Coast Guard's effort to commit the necessary resources appears to be late as it manages challenging winter conditions in many regions.

The Canadian Coast Guard's fleet of ice-breaking ships is aging and too few in numbers to support the economic and environmental benefits of short-sea-shipping in Canada. CSA calls on the Canadian Coast Guard to fulfill its support to maritime commerce immediately by deploying three additional ice-breaking assets to support shipping throughout the Great Lakes - St. Lawrence Seaway system while also meeting obligations to support navigation in the St. Lawrence River and Maritimes. Furthermore, CSA encourages the Government of Canada to find a longer-term solution to augment assets.

New research from MIT highlights critical importance of supply chain & logistics skills and expertise to corporate results

The MIT Forum for Supply Chain Innovation recently released a landmark research study in collaboration with Pricewaterhouse-Coopers LLP (PwC) on Supply Chain and Risk Management and Making Right Decisions to Strengthen Operations Performance.

The Canadian Institute of Traffic and Transportation (CITT) says this study, which examined 209 manufacturers operating in a number of different sectors, adds pivotal evidence to support the argument that a company's most important metrics actually hinge on the abilities and expertise of people who are able to run flexible, uninterrupted supply chain and logistics operations—and not the host of other, less controllable factors that often get the attention of management.

Previously, CITT has shared other research that studied hundreds of companies with global operations and linked corporate performance most closely to uninterrupted supply chain operations. CITT characterizes the new MIT research as the missing link industry needed to prove that profitability and uninterrupted supply chains are more sensitive to people's professional abilities than anything else.

"Taken together, these studies send businesses a clear message—having the logistics expertise is the biggest factor in a resilient, uninterrupted supply chain, and a resilient supply chain is the biggest factor for profitability," says Catherine Viglas, President of CITT.

Walk the halls of any business with significant supply chain operations and chances are you'll hear familiar gripes about profitability. Commodity pricing is unpredictable. Currency rates are on a roller coaster ride. Fuel costs are soaring. Margins are razor thin and events of all kinds are causing disruptions.

Yet the MIT study shows that profitability hinges on people and what they know. The research concluded that supply chain operations were most sensitive to skill set and expertise, a factor well within the control of businesses, not fickle factors such as commodity pricing and fuel costs.1 Further, MIT and PwC found that the 'companies with mature capabilities in supply chain and risk management do better along all survey dimensions of operational and financial performance than immature companies.'1

"The findings should come as great news to businesses who often feel vulnerable to uncontrollable factors," says Viglas. "Supply chain and logistics is often an afterthought for top-level executives because it's relatively invisible until something goes wrong." Viglas added.

"If there's ever been a wake-up call to invest in professional development and certification for your supply chain and logistics people, this study is it," said CITT's Viglas, citing the study's findings that only 41 per cent of the companies in the study had the mature expertise needed to effectively address incidents and only 9 per cent were described as being fully prepared to manage the disruptions common in today's increasingly complex global supply chain ecosystem.1

The MIT study illustrated that companies with mature supply chain logistics capabilities in place to avoid or manage supply chain interruptions had significant impact on key operating performance indicators, such as:

- Total supply chain lead-time variability
- Total cost
- Order fulfillment lead time
- Inventory turns
- Supply chain assets utilization
- Total supply chain lead-time
- Customer service level or fill-rate
- Sales revenue
- Market-share
- Market value

"CITT's specialized logistics courses are a proven way of setting your logistics professionals, and your business, up for better performance. The skills and expertise developed through CITT courses lead to more sustainable, invulnerable supply chain and logistics operations," Viglas said.

Halifax Port Authority and CN announce new representation in India

Halifax Port Authority (HPA) and CN Rail have hired Crest Container Lines to work in India to promote the port of Halifax and CN's rail network as a gateway into North America. The agreement took effect March 1, 2014.

Crest Container Lines is based in Mumbai, with nine branch offices throughout India. Fouze Farrhan, its President and CEO, has over two decades of proven shipping and freight experience in the Indian Subcontinent and North American market. Crest Container Lines is a member of FFAI, FIATA and is NVOCC licenced by the Federal Maritime Commission.

"There are many opportunities in this fast growing marketplace, and we are fortunate to have two very strong partners in CN and Crest to help promote our business development efforts in India," said George Malec, Vice-President of Business Development and Operations for HPA. "Fouze's experience combined with the expanding Crest network will be an excellent partnership to grow the flow of cargo between the Indian Subcontinent and North America.

"CN is pleased to continue to work closely with Port of Halifax to pursue cargo growth opportunities in the Indian Subcontinent," said Keith Reardon, CN Vice-President, Intermodal Services. "Through this partnership we hope to improve the effectiveness of our customers' supply chains and in turn draw more business through the Port of Halifax and CN's North American rail network."

CargoM releases study conducted by KPMG-SECOR

BY BRIAN DUNN

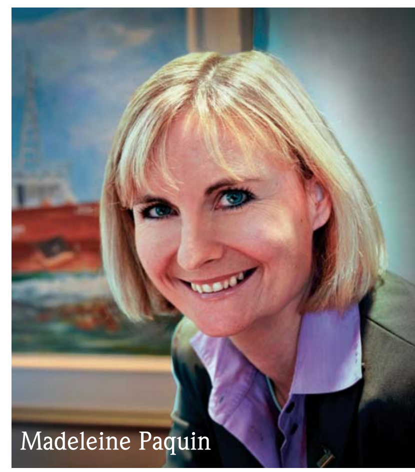
A new study conducted by KPMG-SECOR for CargoM, Montreal's logistics and transportation cluster, revealed the industry's importance to the local economy and some of the challenges it faces in the Greater Montreal Area (GMA). "Obtaining the most accurate information available on our sector is key to CargoM's mission. It makes it possible for our members to rally around common objectives and concerted actions," said Madeleine Paquin, President and CEO of Logistec Corporation and Vice-Chair of CargoM's Board of Directors.

One of the main findings of the study was that the sector contributed more than $4.2 billion to the GMA economy or 40 per cent of the total volume of transportation and logistics activities in the province. The shipping industry accounted for close to $300 million of the total. The study also revealed there are close to 1,200 local companies in the logistics and transportation sector in the GMA with five or more employees accounting for 53,000 related jobs. If logistics functions in manufacturing, retail and other industries were included, another 70,000 jobs would be added to the total. About 142 million tonnes of cargo is handled in the GMA each year, with trucking accounting for 67.7 per cent, shipping 19.3 per cent, rail 12.8 per cent and air cargo less than one per cent.

The study identified five key factors affecting competitiveness in the GMA, namely labour costs, the quality of road infrastructure, government regulations, fluidity of transportation and the quality of the port's infrastructure. A crucial industry concern is an aging workforce, particularly when the number of jobs is expected to grow over the next three years.

"Identifying these competitiveness factors confirms the relevance of various working groups we implemented since the creation of the CargoM cluster," said the cluster's Executive Director, Mathieu Charbonneau. "Therefore, these preliminary results allow all partners to agree on CargoM's priority actions over the coming weeks and months."

To maintain or improve its position as a North American logistics hub, Montreal must



Madeleine Paquin

contend with competition from other eastern hubs such as Norfolk and Savannah where labour and land costs are comparable, according to the study. More competition could also come from the opening of an expanded Panama Canal this year, it added.

On the plus side, the free trade agreement with the EU could present new opportunities both on the import and export fronts, while a potential alliance between Maersk, MSC, and CMA-CGM currently being discussed could result in greater frequencies and lower costs for container shippers.

A number of recommendations were contained in the study, including the need to improve road congestion by having deliveries made outside of morning and afternoon rush hours, introducing reserved trucking lanes and by reviewing overall trucking restrictions.

It was also suggested the role of the Port of Contrecoeur should be increased while the role air transport can play in Montreal's growth should be "demystified." In addition, an alliance of firms and transportation companies to adopt some commonality for the management and transport of goods should be encouraged. And finally, CargoM should work together with other local clusters to promote the GMA.

Learning from the success of one's competitors: CargoM invites delegation from Savannah, Georgia

BY BRIAN DUNN

In an effort to learn from other jurisdictions, CargoM, Montreal's transportation and logistics cluster advocate, is holding a series of workshops that highlight the experiences of various port authorities. The first workshop featured Georgia Port Authority (GPA) that has seen tremendous growth since 2000, spurred in part by a general strike on the U.S. west coast in 2002 that saw GPA volume grow by 21 per cent that year. "We are not an overnight success," said John Petrino, Director of Business Development, Georgia Port Authority, which represents the Ports of Savannah and Brunswick. "In 2000, we had less than one million TEUs throughput. Now, we are over three million TEUs."

GPA consists of the Garden City Terminal for containers, and Ocean Terminal for breakbulk, Ro/Ro and project cargo, which support more than 350,000 jobs annually and feature clusters for distribution centres and manufacturing, said Mr. Petrino.

GPA is located upriver from downtown Savannah, close to Interstate Highways 95 and 16, to achieve the 5-55 maxim for truckers (five minutes to reach highway speeds of 55 miles per hour after leaving the port). "We collaborated with the Georgia Department of Transport to build a beltway to connect with I95 and I16 which will be ready in 2015," said Mr. Petrino. His department works closely with project managers to attract new business around its Garden City Terminal, and welcomed nine new companies last year, including Shaw Industries, Hankook Tires, Nordic Cold Storage and OHL, a third-party logistics supplier.

"There are over 250 port-dependent distribution centres in Georgia. We go overseas to meet with (potential) customers. The important question we are asked is what type of business climate do you have? Site Selection magazine chose Georgia as the number one state with the best business climate last year."

GPA is building for the future and will max out its current capacity of 6.5 million TEUs by 2022 as it strives to keep capacity 20 per cent ahead of demand through long-term planning, noted Mr. Petrino. It is currently undertaking a harbour expansion project to increase its draft, as it is the shallowest port of any major U.S. port. "The four-year project will cost $650 million with the federal government picking up 60 per cent of the tab and Georgia 40 per cent, another example of cooperation."

Georgia works very hard to create a business friendly environment, according to Peggy Jolley, Coastal Regional Manager, Community and Economic Development for Georgia Power. "Georgia Power has a large economic development department, because if Georgia doesn't grow, we don't grow. We're trying to diversify our economy beyond textiles and agriculture. We have a resource team, research team and business development team."

To build momentum following the Atlanta Summer Olympics in 1996, a partnership between the state and private corporations was created called Georgia Allies which funds marketing events and brands Georgia worldwide.

"We leave our name at the door (at marketing events). We're a Georgia company, not Georgia Power. We help identify the clusters Georgia wants to emphasise," said Ms. Jolley which includes aerospace, logistics, energy, agribusiness, health sciences and international investments.

With 159 counties, it was difficult to market each one individually, so all sites are listed on the site selectgeorgia.com with all their advantages such as proximity to the Port, airport, available land, labour supply and driving time to nearby cities among other attributes. "This way, we can narrow down potential counties based on a customer's requirements and generate a county report that can make a decision easier," explained Ms. Jolley, who added it has been a long haul to reach the success that the Port Authority currently enjoys. Twenty

Alyce Thornhill, Georgia Department of Economic Development, Region 12, Project Manager.


Mike Grier, Corporate Director, Global Logistics, Dorel.

Photos: Brian Dunn


John Petrino, Director of Business Development, Georgia Port Authority.

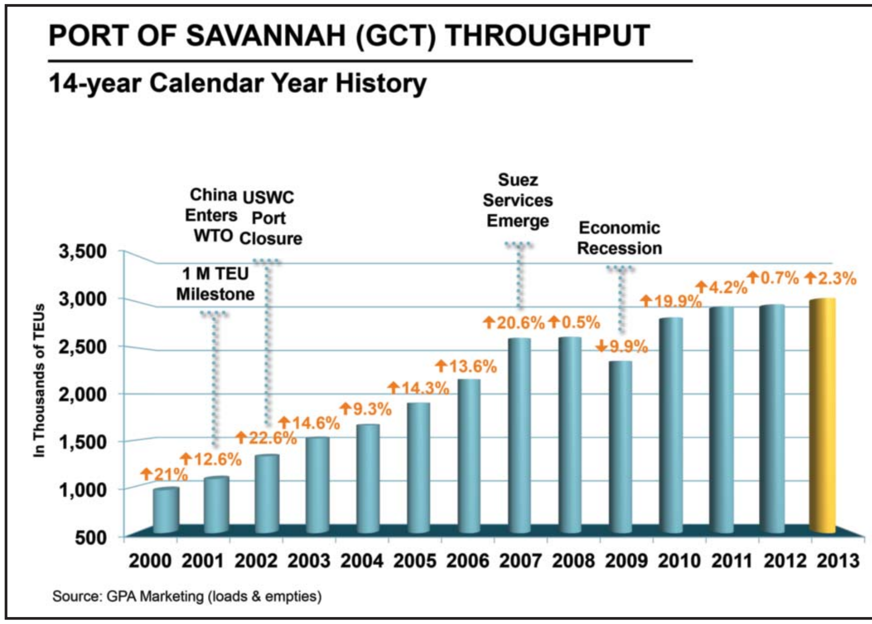
years ago, the port and economic development department never talked to each other, there was no industrial park and the port never focused on containers from Asia.

"Now, the port and economic development work closely together and the industrial park which was developed for manufacturing is primarily used for warehousing and distribution."

The emphasis on collaboration and partnerships was the common theme throughout the workshop which continued with Alyce Thornhill, Georgia Department of Economic Development, Region 12 Project Manager. Sixteen years ago, Georgia created 13 regional Project Managers to promote the state, and each region receives tax incentives or tax breaks based on its prosperity, with a bonus if a business in a region uses the port. If a company expands it business by 10 per cent or more in a year, its payroll tax credit is doubled.

Another innovation is QuickStart, a partnership between companies and state colleges that helps companies get employees trained as quickly as possible at no cost to employers, said Ms. Thornhill. Two more institutions that help the state attract new business are the Georgia Centre of Innovation and the Georgia Centre of Innovation for Logistics, which support innovation and professionalism in logistics. Ms. Thornhill estimates that ten per cent of corporate revenues relate to logistics-related activities, which translates into over one million logistics jobs in the state, according to Ms. Thornhill.

The workshop also heard why Montreal-based Dorel Industries was attracted to Savannah where it has built a new 472,000 sq.ft. warehouse for its juvenile, home furnishing and bike products. While only eight per cent of its U.S. shipments come in through Savannah, it covers the 38 per cent of its business which is generated in the south-eastern U.S. "Georgia Port Authority is an ever-growing port with low real estate costs



and low labour costs, and we're able to pass on savings to our customers," explained Mike Grier, Corporate Director Global Logistics at Dorel. "That's why Savannah is so successful. It combines a public and private partnership which is strategically aligned with municipal, state and federal governments. Their long-term planning looks 10-25 years down the road. It's a generational vision."

Asked what were the key factors that needed to improve the business climate in Montreal, Mr. Grier listed the elimination of red tape, fewer permits and lower taxes. He said the completion of Highway 30 has been a big improvement for traffic flows. "It's called Highway 30 because that's how many years it took to develop," he joked, although not too inaccurately. "None of us will be in business 30 years from now when Montreal is as good as Savannah, because that's how long it takes." When asked after the workshop how far Montreal is behind Savannah in terms of collaboration, technology, logistics and innovation, Port of Montreal President and CEO Sylvie Vachon said she was inspired by Savannah's success. "With Cargo Montreal, we've taken a major step forward. In our heads, we're connecting the dots. Five years earlier, if we had heard their presentation, we would feel we're way behind. But today, we believe we can catch up." Ms. Vachon said all the necessary players are on board, including universities, transportation and logistics companies, but there needs to be more participation from the logistics and government sectors. "But listening to the presentations this morning, I'm very optimistic, because they had the same difficulties that we had, and they now have a model that works and we have the same objectives."

Madeleine Paquin, President and CEO of Logistec Corporation echoed that sentiment, saying the GPA workshop coupled with the creation of CargoM are "clear indications that we are moving in the right direction."

Liner reliability set to decline in 1Q14

Liner shipping is becoming less and less reliable as operators ignore service standards in the rush to cut costs. The bad news for shippers is that the situation is only going to get worse, according to Drewry's newly published Carrier Performance Insight report.

Containership reliability worsened in every quarter of 2013, with the fourth-quarter decline taking the on-time average below 64 per cent; the lowest it has been for two years (61 per cent in 3Q11). Compared to the same quarter in 2012 when the all trades average reached a peak of 75.2 per cent, the fourth quarter result was down by a hugely disappointing 11.4 points.

The weaker performance coincided with a raft of skipped voyages. With more planned for the first couple of months of 2014, the short-term outlook for reliability is not great.

"The focus on reliability seems to have been lost in the current cost-cutting environment. Shippers are now paying more for poorer services," said Simon Heaney, senior manager of supply chain research at Drewry.

"Shippers know that lines are saving money, so they will be unwilling to accept further rate increases. This could provide an opportunity for more reliable carriers to secure better rates."

Maersk Line maintained its position as the most reliable major carrier in the industry in a generally poor fourth quarter when most of its competitors suffered a free-fall in on-time ship arrivals.

Maersk achieved 80 per cent on-time reliability in the fourth quarter, improving its all-trade reliability by 0.8 points. It was one of only eight carriers to improve on their third-quarter performance. A three-point improvement was enough to see Evergreen rise from 11th to second place with a 74 per cent on-time result. Despite a four-point decline, Yang Ming ranked third with an on-time average of 73 per cent.

At the wrong end of the table, the worst performing carriers were MSC (48 per cent) and CSAV (51 per cent), according to the report.

Report on Borden Ladner Gervais 2013 Maritime Law Seminar

BY BRIAN DUNN

Are freight forwarders merchants and if so, what are their liabilities?

That was one of the topics presented at Borden Ladner Gervais' 25th Annual Law Seminar in Montreal on December 6.

Since carriers, particularly those in the liner trade, deal with a number of parties who have an interest in cargo, including shippers, consignees, receivers and freight forwarders, who is bound by the Bill of Lading? asked BLG Partner Jean-Marie Fontaine. More specifically, what is the position of the freight forwarder who plays a number of roles such as ship agent, logistics provider and customer of the line, potentially leading to conflicting interests, he pointed out.

Carriers will attempt to bind as many parties as possible to the Bill of Lading via a "Merchant Clause," said Mr. Fontaine, which typically includes the shipper, consignee, owner of the goods, holder of the Bill of Lading and anyone acting on behalf of such a party (like a freight forwarder). And all parties considered "Merchants" are jointly liable for freight, demurrage, storage charges, damage caused by cargo and penalties.

"Freight forwarders often respond that they act solely as agents, are not a party to the Bill of Lading and incur no direct liability towards the Line," said Mr. Fontaine, who gave the following example of a problem that occurred in a recent Canadian case.

DHL had booked with CMA CGM's Canadian agent the carriage of 68 containers between Montreal and Ho Chi Minh City. Booking confirmations were issued by CMA CGM to DHL. In its Bill of Lading Instructions, DHL named its client, HSB, as the shipper, Tan Mai as consignee and itself as a "Forwarding Agent." The Bills of Lading were issued and released to DHL. DHL paid the freight to CMA CGM and the 68 containers were carried to destination where they were discharged. Unfortunately, the shipper did not pay DHL. DHL, in turn, invoked a freight forwarder's lien and refused to release the CMA CGM Bills of Lading to the shipper without payment. As a result, the containers sat in Vietnam accumulating demurrage and storage charges.

CMA CGM took proceedings in France against the shipper, consignee and DHL (as "Forwarding Agent"). DHL responded with an action in Canada seeking a declaration of non-liability. In the context of a motion for a stay of the Canadian proceedings in favour of the French proceedings, the Court had to determine whether DHL was a party to the CMA CGM Bills of Lading and thus bound by the jurisdiction clause in that contract.

The Court considered both the terms of the Booking Confirmations and the defini-

JEAN-MARIE FONTAINE

GILLIAN GRANT

Costa Concordia

tions of "Merchant" and "Holder" under the CMA CGM Bills of Lading, as well as the fact that it held the Bill of Lading, and that it acted "on behalf of the shipper". Accordingly, the Court concluded that DHL was bound by the terms of the CMA CGM Bills of Lading.

The Court decision means that freight forwarders are more likely (though not in all cases) to be held jointly liable with the shipper and consignee for all the liabilities of the Merchant, such as freight, demurrage and storage charges, particularly if the costs are directly related to their behaviour (such as refusing to release a Bill of Lading).

While the above matter was settled between the parties, "whether you're the shipping line or freight forwarder, you should look closely at the terms of the booking confirmation," suggested Mr, Fontaine as a way to avoid any confusion. "If you want to clarify potential exposure, a long-term contract might be the solution."

Responding to the risks inherent in increased tanker traffic

Ottawa has developed a number of initiatives to improve present regulations concerning the transportation of oil by ship, Gillian Grant, Senior Counsel, Transport Canada, said in another presentation.

She outlined two major initiatives in her presentation entitled "Update on International and Canadian Maritime Law Initiatives." They are the proposed World Class Tanker Safety System and legislation introduced in Parliament in October that amends portions of the Canada Shipping Act in Bill C-3 that deals with preparedness and response for oil spills as well as to the Marine Liability Act.

On the World Class Tanker Safety System, Ottawa has been working on a strategy that includes three components, namely prevention, preparedness and response and liability and compensation. It has proposed measures to improve Canada's performance under each of these three areas. These include enhanced requirements for planning and reporting on oil handling facilities or marine terminals, increased inspections to ensure all foreign tankers are inspected on their first visit to Canadta and annually thereafter, while funding will be boosted for the National Aerial Surveillance Program that conducts monitoring of ships in Canadian waters to ensure they do not pollute or if they do, takes enforced action against them.

On the Preparedness and Response side, the Canadian Coast Guard will adopt an Incident Command System for oil spill response in order to integrate its operations with key partners and respond more effectively.

Another component of the World Class Tanker Safety strategy relates to liability and compensation in the event that there is a spill. The government is committed to maintaining the principles of polluter pays, international uniformity and shared financial responsibility between shipowners and cargo interests.

The second major development on the marine front is the introduction in Parliament of Bill C-3 also known as the Safeguarding Canada's Seas and Skies Act. Bill C-3 includes amendments to the Maritime Liability Act to compensate for damages caused by hazardous and noxious substances carried by sea.

On the international scene, it has been a relatively quiet year, although there are three things that are worth mentioning, said Ms. Grant. First, the Marine Safety and Marine Environmental Protection Committees of the International Maritime Organization (IMO) and their subcommittees have been trying to negotiate a Polar Code that would set mandatory ship construction, equipment, crewing and environmental protection requirements for ships operating in polar regions. The negotiations are almost finished and the Code is expected to be finalized in 2015.

In terms of the International Oil Pollution Compensation Funds, the IMO has decided to wind up the 1971 Fund which was superseded by the 1992 Fund in 2002. There are currently five ongoing claims that in principle should be resolved before the 1971 Fund can be formally closed. This work is difficult because of the nature of some of the claims and also because there are few, if any, precedents for ending the existence of an international body, said Ms. Grant.

Finally, the IMO Legal Committee had its 100th session in April 2013. The principal accomplishment from the meeting was the development of Guidelines on Preservation and Collection of Evidence following a serious crime on board a Ship or following a report of a missing person from a ship.

The world's most expensive salvage operation to date.

The 150 who attended the seminar were also given a glimpse into the salvage industry and the challenges of refloating the Costa Concordia, one of the biggest and most complicated wreck removal operations ever, with a price tag that could top $1 billion by the time it's refloated this summer.

Prior to 1969 in the salvage business, the owner's liability was limited to the value of a shipwreck, according to Lindsay Malen, Director, Business Development, Titan Salvage/Marine Response Alliance, Houston, TX, which, alongside Italian partner Micoperi, are leading the Costa Concordia recovery operation. But the business changed following the wreck of the Torrey Canyon in 1967 with 120,000 tons of oil spilled, the largest wreck at the time. That casualty led to the creation of the Civil Liability Convention which increased the liability of the shipowner, resulting in higher insurance premiums, but making more funds available for wreck removals.

"The environmental risk in wreck removal is very high which adds to the costs," said Ms. Malen during her presentation entitled "The escalating costs of wreck removals and why it's not the salvors fault...most of the time." Other factors contributing to escalating costs include the vessel's size and technical characteristics of a wreck, location of the wreck, depth of water, weather, media pressure and an increasing requirement for a successful removal by third-party stakeholders, added Ms. Malen.

While the Costa Concordia is relatively small at 290 metres, compared to the biggest ship at sea, the 396 m Marco Polo, it contains hundreds of rooms on13 decks versus regular cargo holds, adding to the complexity and cost of the salvage operation. It capsized on January 13, 2012.

Because of its structure and location lying on two rock ridges, the salvors had to use 31,000 tonnes of steel structures and 11 anchor blocks each weighing 18 tonnes to stabilize and prepare the vessel for refloating. "We are utilizing a combination of engineering techniques never utilized before on such a large project. Along with the University of Rome, the salvage team is documenting the entire process which will be referenced as a huge learning experience for the future," Ms. Malen pointed out. Wreck removal costs are covered by the P&I clubs and in cases this large, by the reinsurance market as well. The total work crew numbered over 500 salvors and 25 different nationalities, with divers performing over 13,000 individual dives. There was a proposal to make the ship a dive site instead of removing it, but pending lawsuits prevented that, said Ms. Malen.

The seminar opened with a panel discussion on the Direct Right of Action against P&I Clubs moderated by Jeremy Bolger, Partner, BLG. The panellists were Leanne O'Loughlin, Claims Executive, Charles Taylors P&I Management (Americas), New York, Ronny Larsen, Sr. Vice-President, Head of Syndicate 1, Assuranceforeningen Skuld (Gjeensidig), Norway and Charles De Leo, Partner, De Leo and Kuylenstierna P.A., Miami.

Nanaimo Port Authority addresses concerns over lower cruise traffic

Bernie Dumas, President & CEO, Nanaimo Port Authority, commented on the number of cruise ships to be hosted in Nanaimo in 2014. "While we are disappointed with the number of calls scheduled for 2014, we are focusing our efforts on increasing future cruise ship calls to meet our stated expectations and those of the local and mid-island communities. 2015 is already encouraging and moving in the direction that is more in line with our expectations, and to date we have already received five nominations."

Since 2005, 68 large cruise ships have come to Nanaimo carrying over 134,000 passengers. The cruise business represents a significant economic contribution to the community around Nanaimo. Since 2011, when the cruise ship terminal opened, Nanaimo has hosted 33,908 passengers plus crew generating a direct economic impact of $2.14 million, for local and mid-island communities based on cruise industry studies.

"The local and regional community continues to be an integral partner of our cruise initiative. We need community support and unique attractions to make this work, a development emphasized by cruise industry executives." says Dumas. "We are working with the NEDC, Tourism Nanaimo, City of Nanaimo, RDN, the DNBIA and local excursion operators. A unique hook for our attractive destination will compliment what passengers enjoy. The Nanaimo Port Authority's relationships with community partners and participation with support from businesses and the public are key elements to the on-going success of the cruise industry in Nanaimo."

"2010 projections were based on repositioning shoulder season visits, as well as cruise visits from ships during the regular Alaska cruise season." Dumas stated. "Several developments occurred over the last three years that affected Nanaimo: cruise lines restructured itineraries, changed destinations and moved different vessels into various cruise theatres on the west coast of North America and beyond. Since enactment in August 2012, we felt the full impact of the Emission Control Area regulations requiring all vessels to burn low sulphur fuels within 200 nautical miles of the coastland. This dramatically increased fuel costs for the cruise lines and the regulations were introduced after our 2010 projections and 2011 terminal completion. As a result, specific cruise lines decided to reduce their number of repositioning cruises, directly impacting Nanaimo in 2014. Cruise lines are also developing new cruise markets and need to position themselves into these markets quickly after the Alaska season, again impacting west coast repositioning cruises and calls to Nanaimo."

Dumas stated that "Nanaimo Port Authority is working with the cruise industry to feature our first class facilities and to continue with the development of our cruise business. Our efforts have not diverted from our original goals", and expressed confidence in the Port's ability to secure additional cruise calls.

Lake Carriers Association reports U.S.-flag Lakers fleets to invest more than $70 million in vessels this winter

After a season in which U.S.-flag lakers will have sailed more than 2.5 million miles and carried nearly 90 million tonnes of cargo, a $70-plus million tune-up awaits the fleet.

One ship arrived in Sturgeon Bay, Wisconsin, to undergo conversion to a barge in early November, but the bulk of the fleet began tying up at their winter berths starting in late December. Upwards of 1,200 shipyard workers then will labour virtually non-stop to ready the vessels for the 2014 season that will begin in mid-March.

Despite the challenges that winter weather presents in the Great Lakes region, the first quarter of the year is the prime time for maintaining and modernizing vessels. Vessels have to operate 24/7 during the season to meet the needs of commerce, so the closing of the Soo Locks means employment at Great Lakes shipyards is about to peak.

The steel industry is Great Lakes shipping's largest customer, so it is perhaps fitting that steel is the primary material used in maintaining and modernizing the fleet each year.

This winter approximately 1,100 tonnes of steel will be used to renew sections of hulls and cargo holds. The various grades of steel used in vessels must meet exacting standards set by the American Bureau of Shipping and so must be ordered months in advance. While the Lakes freshwater environment is gentle on vessels, U.S. law requires lakers be dry-docked at regularly scheduled intervals so the U.S. Coast Guard and American Bureau of Shipping can examine the hull below the waterline. Massive concrete and wooden blocks are positioned in the drydock and support the vessel once the chamber has been drained. Several vessels will undergo out-of-water inspections this winter.

Much attention will be paid to the vessels' massive engines, some capable of generating nearly 20,000 horsepower. The engines are shut down only long enough to load and discharge cargo during the late March/mid-January shipping season, so must be primed for nearly continuous operation. Navigation, fire-fighting and lifesaving equipment will also be carefully checked.

The major shipyards on the Lakes are located in Sturgeon Bay and Superior, Wisconsin; Erie, Pennsylvania; and Toledo, Ohio. Smaller "top-side" repair operations are located in Cleveland, Ohio;

Escanaba, Michigan; Buffalo, New York; and several cities in Michigan. The industry's annual payroll approaches $50 million and it is estimated that additional $800,000 in economic activity is generated per vessel in the community in which it is wintering. Great Lakes shipyards made a number of improvements during the year to better service the fleet this winter. One yard in Wisconsin added a 7,000-ton floating drydock. Another in Wisconsin continued to add hundreds of feet of sheet pile berthing dock to allow it to service more vessels.

Communities far from the Lakes also benefit from the winter work program. Hundreds of feet of high-strength conveyor belts for the vessels' unloading systems are being manufactured in Marysville, Ohio, and new galley ranges to feed the crew of 23 on a 1,000-foot-long vessel are being produced in Smithsville, Tennessee.

Over the course of the season, about 1,600 men and women work on U.S.-flag lakers.

Some will assist with maintenance of the vessels during the winter. Others will upgrade their skills at classes sponsored by their employers and unions.

Lake Carriers' Association represents 17 American companies that operate 57 U.S.-flag vessels on the Great Lakes and carry the raw materials that drive the nation's economy: iron ore and fluxstone for the steel industry, limestone and cement for the construction industry, coal for power generation, as well as salt, sand and grain. Collectively, these vessels can transport more than 115 million tons of cargo per year. Those cargos generate and sustain more than 103,000 jobs in the United States and have an economic impact of more than $20 billion.

New CEO and management appointments at Montreal Gateway Terminals

Montreal Gateway Terminals Partnership (MGT) announced the retirement of Kevin M. Doherty as President and CEO. Mr. Doherty will take a seat on MGT's Board and will be replaced by COO and CFO Michael Fratianni. Guy Desrosiers, currently Treasurer, will become CFO. MGT is wholly owned by MGT Holdings S.à.r.l., a subsidiary of Morgan Stanley Infrastructure Partners.

An active participant in one of the most dynamic growth periods in shipping history, Mr. Doherty enjoyed a 51-year career at the Port of Montreal. During his tenure, Mr. Doherty initially held the position of Superintendent in 1963, and never stopped taking on new positions with greater responsibility, including stints in Quebec City and Zeebrugge, Belgum. Mr. Doherty's most recent roles have included heading up MGT operations since 1997 and becoming CEO in 2007.

During his tenure, he oversaw modernization of the facility, strategic business initiatives, and the successful navigation of a downturn in volumes during the Global Financial Crisis. Mr. Doherty's Board seat will allow him to continue to contribute his deep knowledge and experience to the management of MGT.

Mr. Fratianni has served in crucial financial and senior business roles at MGT since 1986. In addition to his responsibilities as CFO, Mr. Fratianni's extensive background in marine terminal management includes business development, the maintenance of commercial relationships, and contract negotiations.

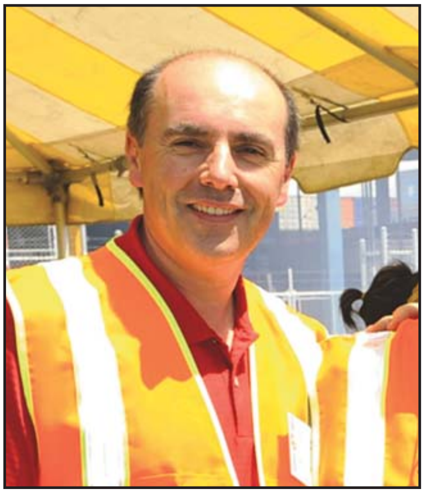
"We are grateful to Kevin for the key role he has played in the success of MGT," said John Watt, Chairman of MGT's Board of Directors and a Managing Director with Morgan Stanley Infrastructure. "We likewise have great confidence in the talent and ability of Michael, Guy, and the entire management team. During the seven years of Morgan Stanley Infrastructure's involvement with MGT, we have seen how nimble, creative, and adaptable they were during difficult economic times, and we are confident the company is well positioned to handle any future challenges and opportunities that may arise."

In addition to Guy Desrosiers's assumption of the role of CFO, several MGT veterans will assume senior management positions, effective April 1st. These include the promotions of Guy Desrosiers to CFO, Meguerditch Kanondjian to Vice-President of Operations, Daniel Boyer to Vice-President of Maintenance and Engineering, Frederic Provost to Vice-President of Risk Management, and Carl Laramée to Director of Innovation.

"I feel I am leaving day-to-day leadership of the company in very good hands," said Doherty. "This is the team that has implemented so many of the improvements in operations at the facility and made such great strides in the relationships with our customers, employees, and other stakeholders. It is because of them that MGT is widely recognized as an efficient, collaborative, and customer-friendly partner."

Looking ahead, MGT has plans to leverage innovation for an added competitive edge. "I feel very fortunate to take on this new role at such an exciting time," said Fratianni. "Today we are in the process of implementing innovations to expand our capabilities and further enhance our technology and efficiency. We hope to deepen our great working relationships up and down the supply chain. I have great confidence in the talent and capabilities of our entire team, and I know that MGT is poised for an even greater competitive edge as a first choice for container handling services in Montreal."

KEVIN M. DOHERTY



MICHAEL FRATIANNI

MGT's closer proximity to key European ports than terminals along the US east coast and service delivery have earned it long term relationships with the world's leading carriers. In 2013, MGT handled approximately 775,000 TEUs in the Port of Montreal.

New blow for carriers as Shanghai-Europe box rates fall below 'break-even' $1,000

BY GAVIN VAN MARLE

Sea freight rates on the Asia-Europe deepsea route have continued to fall, and have now dipped below the crucial break-even level of $1,000 per TEU.

The Shanghai Containerized Freight Index's (SCFI) route between Shanghai and north-west Europe was recorded at $988 per TEU, a fall of $122 per TEU from the week before, and it means rates have declined some 44 per cent since the beginning of the year, when they were buoyant in the pre-Chinese New Year build-up. Sources in the market said the decline was due to the usual combination of poor carrier discipline over-pricing, and continuing vessel overcapacity, exacerbated by weak demand in Europe – none of which is surprising. However, what has surprised forwarders in the trade has been the seeming willingness by carriers over the last week or so to abandon hope that the March general rate increases (GRIs) – announced in January and February – would stick.

"Most spot rates on an FAK [freight all kinds] basis are $900-1,000 per TEU out of China base ports to Northern Europe, and they are going to fall further," one forwarder told *The Loadstar*. He added that Hong Kong-based carrier OOCL had sent him an advisory this week announcing that its FAK spot rate on the route was to be reduced by another $150 per TEU – a discount that would be valid until the end of this month. "The irony, if you can call it that, is that the line had earlier announced a GRI to come in next week, so this completely negates that," he said. "And that's just one example – there is total lack of discipline on pricing by all the carriers."

The ineffectiveness of the March 1 GRI had been predicted by container derivatives broker Freight Investor Services (FIS), which had noted that, following several March GRI announcements, French carrier CMA CGM had named 1 April for its next GRI – effectively dashing hopes that widespread increases would be seen before then. FIS's Richard Ward said: "As we approach April, liners will no doubt hope for a proportion of the planned GRI to come into force; however, currently the forward market is pricing April with only a 10 per cent premium to March, suggesting the increase will offer little respite.

"This reflects the market's views for further declines in the run up to April and the expectations that the GRI will not be sustained due to market fundamentals. For carriers, this represents a significant challenge as the April increase is unlikely to ensure they return to profitability for the given month."

While the use of forward freight agreements (FFAs) in container shipping remains marginal, compared to the size of the physical market, FFA pricing does bear some correlation to actual spot rates, since, because the mechanism is used as a hedging tool, the FFA price is always at a premium to the anticipated actual rate – all of which points to further rate erosion.

Given that this past week saw 10 per cent shaved off the SCFI, there is every possibility that rates will be at less than $800 by the end of the month – and even if carriers could push through a $450-plus GRI at the beginning of next month, that would that give them a little room to play with, until rates again drop below break-even.

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43-55

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True cost of restructure means Damco is the new black sheep of the Maersk family

BY MIKE WACKETT

Maersk Line and Damco have clearly not been reading the script: over the past few years it has been the forwarder that made the profit and the carrier that posted losses, not the other way round.

And as Maersk Line stole the limelight in AP Møller Maersk (APMM)'s annual report, contributing $1.5 billion of its $3.8 billion net profit for 2013, sickly Damco posted a loss of $111 million after what had clearly been a very disappointing year for the logistics arm.

The negative contribution from Damco is obviously a thorn in the side of APMM, but at the post-results Q&A session, group CEO Nils Andersen played down the result from "the small business unit" in the context of the stellar performances in other sectors. He added, however, that beside the one-off costs impacting Damco's bottom line, the forwarder had "faced a lot of challenges in its daily operation" and he did not expect to see an improved situation until the second half of 2014.

Mr Andersen batted away a tricky question about the patience APMM would extend to Damco to allow it to put its house in order, and when asked: "Do you think you are the right owner for Damco?", he replied in the affirmative, but admitted things had not gone very well in 2013 for Damco, suggesting that there had been a loss of focus on daily costs in what he said was a wafer-thin margin business.

The move of the headquarters from Copenhagen to the Hague in February 2013 under the leadership of Rolf Habben-Jansen, who left Damco earlier this year to take up the Chair of Hapag-Lloyd, was problematic for the logistics company. It has been fighting for business, and to keep existing business, in a dog-eat-dog freight forwarding market dominated by the likes of Kuehne + Nagel, DHL, DB Schenker and Panalpina, while at the same time losing key staff in the relocation.

Given that Damco posted a $8 million loss in the second quarter of 2013 and a $1 million profit in the third quarter, the full-year loss of $111m means that not only were restructuring costs much higher than anticipated, but that the costs were probably understated in earlier quarters.

This is all far removed from the optimism of Mr Habben-Jansen prior to the move to the Netherlands, who said the relocation would put Damco "closer to many of our customers" and within the catchment area to recruit new logistics talent.

Putting Damco back on track is perhaps one of the biggest challenges for Maersk's troubleshooting new CEO, Hanne Sorensen, who nevertheless will have the support of Mr. Andersen and other key seniors in Copenhagen who will recall that not too many years ago Maersk Line was the *bête noire* of the group.

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EDC: Agricultural Bonanza

BY PETER G. HALL, VICE-PRESIDENT AND CHIEF ECONOMIST

Agriculture is rarely found in the wow segments of the media. It typically operates in the economic background, a critical but unsung sector of industry. Until some crisis interrupts its supply chain, that is. Mere rumours of food shortage are enough to incite panic; grocery store shelves empty instantly when some event sparks a stock-up of basic foodstuffs. There's a growing sense now that this economic second-fiddle could be set to take center stage. Why the sudden stardom?

It is not immediately evident in the data. Primary agriculture accounts for a mere 1.1 per cent of Canadian GDP. Add in processed food, and the total number adds up to 3 per cent of GDP. As a share of trade, primary and processed food adds up to 11 per cent of merchandise exports. Significant, but hardly stardom. So what is it that is vaulting this sector up the popularity rankings?

In short, the world is getting hungrier. It has been said many times, but it bears repeating: the rise of emerging markets over the past three decades is now vaulting millions into the ranks of the middle class every year. China alone is graduating 40 million a year. India is somewhere between 10 and 20 million, but its goal of 30 million annually is not far-fetched. These are staggering figures, and it is just a beginning: Indonesia, Brazil, Mexico, the Philippines, Vietnam and others are also aggressively adding to this income cohort. The significance of these graduates is their appetite. It grows with their incomes, and is putting what soon could be inexorable pressure on global food supply.

This trend is already affecting agricultural statistics. Is our breadbasket nation participating in this bonanza? Indeed we are. Back in 2002, emerging markets accounted for 14 per cent of Canadian agricultural exports, not a small share, but today it has grown to over 30 per cent. From 2000 to 2013, growth to OECD nations averaged 4 per cent, not a bad pace, but it was more than double that, at 8.8 per cent, to emerging markets. As world growth resumes, it is likely that the pace will increase.

Isolating the trend to particular countries is not easy. Here, China stands alone, accounting for over a third of our agricultural exports to emerging markets, and increasing at a hefty 16 per cent each year. Beyond that, it is hard to differentiate for size and growth. The next ten emerging markets are rising by an average of over 10 per cent per annum, led by growth to India, Russia and more recently, Indonesia. But below this level there are up-and-comers, like Vietnam, with staggering annual growth.

Cynics may say at this point that this trade is all in primary products, and that again, we are not adding much value to what we ship. True, 65 per cent of this aggressive trade is crop production. But of crops, animal products and processed foods, it is the slowest-growing category. At the same time, food manufacturing exports to emerging markets, 30 per cent of the total, are up on average by 12 per cent yearly. Animal production, just 5 per cent of the total, is seeing 18 per cent annual growth.

These numbers are nothing if not impressive, and their record has been largely unsullied by the global crisis. As the world gets back to growth, it is not hard to imagine this aggressive growth pace picking up even more. Growth alone will further boost middle-class entrants, but next-generation free-trade deals promise further liberalization of global agriculture. For nations like Canada that are net exporters of food, this is on balance great news, and promises even greater potential gains.

The bottom line? At the dawn of the next global growth cycle, Canada's agriculture sector is poised to reap huge gains. They may make Victoria's feted Jubilee parade look like a tea-party in comparison.

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UPS invests in propane for U.S. delivery fleet

UPS announced plans to purchase 1,000 propane package delivery trucks and install an initial 50 fueling stations at UPS locations. The investment in propane vehicles and infrastructure is approximately $70 million.

The propane fleet will replace gasoline- and diesel-fueled vehicles used largely in rural areas in Louisiana and Oklahoma with other states pending. The vehicles on these routes can travel up to 200 miles on a tank of propane. Operations will begin by mid-2014 and be completed early next year.

UPS, in collaboration with the Propane Education & Research Council (PERC), a non-profit propane technology incubator, worked with equipment manufacturers to secure certifications with the EPA and California Air Resources Board. UPS tested 20 propane-powered brown delivery trucks successfully this past winter in Gainesville, Ga., and expanded its order with Freightliner's custom-built chassis for UPS, and GM engine. UPS uses a "rolling laboratory" approach to test different fuel sources and technologies according to their route characteristics. The new propane fleet is expected to travel more than 25 million miles and to displace approximately 3.5 million gallons of conventional gasoline and diesel per year.

"The opportunity to road test new propane vehicles and fueling equipment with one of the most sophisticated fleets in the country is a major milestone for the propane industry," said Roy Willis, President and CEO of PERC. "This announcement is the culmination of many entities bringing together the best in propane technology to achieve the greatest economic and environmental results."

The UPS deployment this year benefits from propane autogas' wide availability as a result of increased natural gas production in the U.S., and there is more price stability with the accessible supply.

UPS has one of the largest private alternative fuel fleets in the nation with more than 3,150 alternative fuel and advanced technology vehicles. This includes all-electric, hybrid electric, hydraulic hybrid, CNG, LNG, propane, biomethane, and light-weight fuel-saving composite body vehicles. UPS began deploying alternative fuel vehicles in the 1930s with a fleet of electric trucks that operated in New York City. Since 2000 alone, the company's "green fleet" has traveled more than 300 million kilometres.

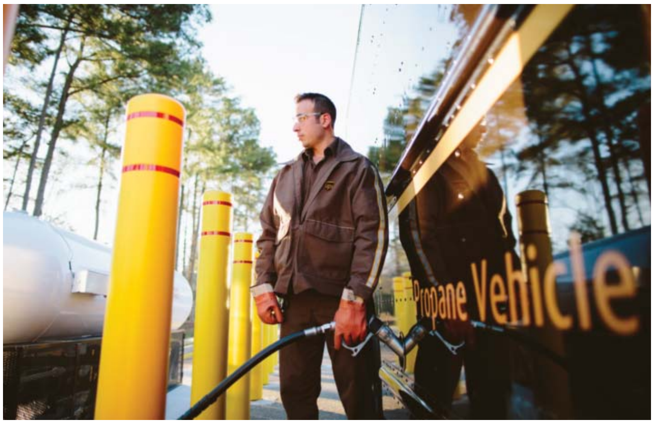

Photo: UPS

UPS Canada currently operates more than 800 propane-powered delivery vehicles, but plans to expand its fleet to 966 by year-end as more vehicles are converted to operate on propane. With a fleet of more than 3,000 vehicles (including package cars, tractors, shifters and trailers) operated by UPS Canada, more than a third will operate on propane. Propane trucks that were put in service by UPS Canada in the 1980's were converted from gasoline and diesel to run on alternative fuels. Propane-powered vehicles are deployed in B.C., Alberta, Ontario and Quebec, but concentrated in the Toronto area.

The newly added propane-powered vehicles feature the latest technology in clean-burning propane engines. Propane vehicles emit about one-third fewer reactive organic gases than gasoline-fuelled vehicles. Nitrogen oxide and carbon monoxide emissions are 20 per cent and 60 per cent less, respectively, than emissions from similar-sized gasoline engines.

Largest truck ever in N.B. delivers power plant turbine rotors

BY CHRISTOPHER WILLIAMS

Hundreds of people were out early on the mornings of January 19th and February 2nd to witness the largest vehicles to ever drive on a New Brunswick highway. Escorted by police, a 200-foot-long, 19-axle trailer pulled by a transport truck, transported two massive turbine rotors to the Point Lepreau Generating Station (PLGS), 50 kilometers west of Saint John.

"There are only two of these large-scale trailers in North America and this job was the first time one was used in New Brunswick," said Kathleen Duguay, NB Power head of nuclear communications. "The complex moves took months of planning and about a year to get all of the necessary permits." But the tricky logistics were entertaining for transportation fans, many of whom followed the convoy taking pictures. Some residents even doubted the trailer could make a particular 90-degree turn where shorter trucks had tipped before.

Transport began when equipment manufacturer Siemens Canada Ltd. shipped the cargo from an overseas plant to the port of Saint John, last July. "Arriving aboard the heavy-lift ship M.V. Merwedegracht, the 130-tonne rotors were discharged with ship's gear and the port's two 80-tonne cranes," explained Bruce Harding, General Manager of Logistec Stevedoring in Saint John. "A system of axles and support beams were assembled around the turbines allowing the trailer to pick the units off raised wooden mats."

Highway transportation to Point Lepreau was carried out by Ontario-based Equipment Express Inc. which specializes in the movement of heavy cargo, from transformers to machine tools. Last year, Equipment Express transported a replica of the iconic Canadian fighter jet, the Avro Arrow, in Toronto, and also moved the heaviest load ever permitted on Manitoba's highways.

From Saint John, each turbine rotor trip took about six hours at an average speed of 17 km/hr, through West Saint John, along Route 1, to Route 790. The second turbine rotor was scheduled to be moved on January 26th but the day before brought heavy snow, postponing the maneuver for a week. "The equipment made it in perfect condition thanks to all of the stakeholders who pulled together," added Duguay. She said the logistics team included Bell Aliant, Rogers Cable, police and emergency response organizations, N.B.'s Department of Transportation and Infrastructure, Transfield Dexter Gateway Services Highway Services, and NB Emergency Measures.

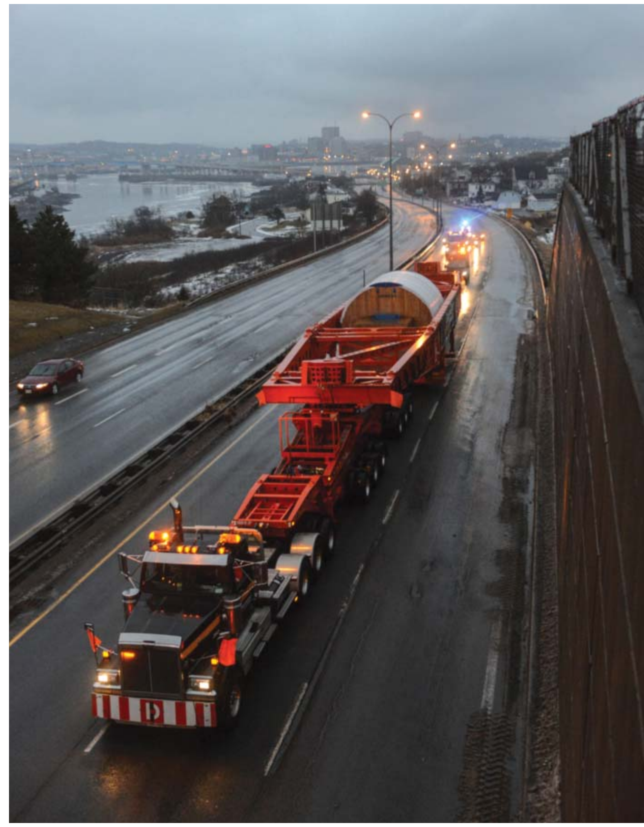

Photo: PLGS

A convoy moves the second of two 130-tonne turbine rotors along the highway to Point Lepreau Nuclear Generating Station.

The new turbine rotors are now stored at PLGS until roughly 2017 when they will replace two units now in service. Those $10 million units are deemed to be unsuitable to perform for the full 27-year life of the refurbished nuclear plant, having been damaged when they toppled into Saint John Harbour in 2008 while being transported to the station by barge.

Fortunately, there is no cost to NB Power for the new equipment as Siemens and its insurance company are footing the bill. This comes as a relief to New Brunswickers already faced with refurbishment cost-overruns at PLGS. In 2000, NB Power estimated a reactor re-fit would cost $750 million and take only 18 months. But technical problems including damaged calandria tubes in the reactor core extended the project three years longer than expected, and final costs are estimated at $2.4 billion.

Point Lepreau is the only nuclear generating facility in Atlantic Canada and began generating power in 1983. It comprises one CANDU nuclear reactor with installed capacity of 705 megawatts. The plant has recently operated at 99.8 per cent efficiency and is expected to produce enough electricity to power more than 333,000 homes per year for the next 25 to 30 years.

Photo: Logistec Corporation

The units arrived at Port Saint John by ship prior to Equipment Express truck transport to the power plant.

TransForce announces results for 2013

TransForce Inc., a North American leader in the transportation and logistics industry, announced its results for the fourth quarter and fiscal year ended December 31, 2013. For the year, TransForce produced net income of $101.7 million on revenues of $3.1 billion, compared with net income of $154.2 million on revenues of $3.1 billion during the previous year. For the quarter ended December 31, net income of $12.3 million was reported on revenues of $792.6 million, versus net income of $36.1 million on revenues of $778.4 during the year-ago period.

"Although the fourth quarter produced lower year-over-year results, factors affecting profitability were mostly related to harsh weather. In addition, initiatives to reduce our costs and our asset base in several divisions resulted in additional expenses of about $7.0 million. According to our plan, we proceeded with further facility rationalization and headcount reduction in the Package and Courier ("P&C") and Less-Than-Truckload ("LTL") segments. In the Truckload ("TL") segment, fundamentals remained weak and we continued to proactively adjust supply to demand.

In the Energy sector, Canadian oil sands related activity and EL Farmer's pipe hauling business in the U.S. produced satisfactory results, but rig moving activity remained anaemic and we took aggressive measures to reduce our asset base in this business. Finally, waste management operations had a very profitable quarter driven by composting activities at the Lafleche environmental complex," said Alain Bédard, Chairman, President and Chief Executive Officer.

"At the end of 2013, we shut down our Canadian rig moving operations, given low prospects for generating a satisfactory return on assets in the foreseeable future, and we further scaled down corresponding U.S. activities due to much lower revenue. This situation resulted in a non-cash $63.1 million intangible asset impairment charge. We are orderly disposing of assets and proceeds will be used to invest in projects that generate a superior return and a solid cash flow," added Mr. Bédard.

Outlook

"Looking ahead, TransForce will benefit from greater density following the acquisitions of Clarke Transport and Clarke Road Transport, as well as from the pending acquisition of Vitran. However, we expect market conditions to remain mostly unchanged in 2014. As this challenging environment limits organic growth, TransForce will pursue its ongoing initiatives to streamline its asset base and cost structure.

ALAIN BÉDARD
Chairman, President and Chief Executive Officer, TransForce

More efficient networks in the P&C and LTL segments should also produce a higher return on assets and a strong free cash flow generation that will be applied to debt reduction and to carry out our disciplined acquisition strategy. Through a firm commitment to its operating principles and precise execution of its proven strategy, TransForce will remain a lasting source of value creation for its shareholders," concluded Mr. Bédard.

Algoma Central Corporation releases 2013 results

Algoma Central reported revenues for its 2013 fourth quarter of $148.8 million, compared to $148.7 million for the fourth quarter of 2012. For the year, Algoma reported 2013 revenues of $491.5 million, compared to $527.9 in 2012. The decrease in reported revenues during 2013 is mainly attributable to the domestic dry-bulk business for which volumes shipped decreased compared to prior years. This was only partially offset by strong volumes for domestic tankers and by improved ocean shipping results tied to dry-docking schedules.

After tax operating earnings amounted to $21.6 million during the quarter and $46.1 million during the year, compared to 2012 after tax operating earnings during the quarter of $27.9 million, and $59.8 million during the year. Strong demand continued to drive increased revenues and earnings for Product Tankers; however, these were more than offset by decreases in revenues and earnings for the Domestic Dry-Bulk segment. Ocean Shipping and Real Estate segments had minor decreases in earnings for the quarter.

Net earnings of $22.8 million were reported for the fourth quarter of 2013, compared with $24.2 million for the fourth quarter of 2012, and net earnings of $41.9 million were reported for all of 2013, compared to $42.2 million for all of 2012. Lower operating earnings were largely offset by reduced foreign exchange losses and an increase in interest income. Net earnings for 2013 include a foreign exchange translation gain of $5,587 compared to a loss of $3,901 for the same period in 2012.

Algoma Central Corporation owns and operates the largest Canadian flag fleet of dry and liquid bulk carriers operating on the Great Lakes - St. Lawrence Waterway, including 18 self-unloading dry-bulk carriers, six gearless dry bulk carriers and seven product tankers. Algoma also has interests in ocean dry-bulk and product tanker vessels operating in international markets. In addition, Algoma owns a diversified ship repair and steel fabricating facility active in the Great Lakes and St. Lawrence regions of Canada.

Photo: Pete Markham

Court approves Vitran's Plan of Arrangement with TransForce

Vitran Corporation Inc. (Vitran), a Canadian less-than-truckload transportation firm, announced that the Ontario Superior Court has issued a final order approving the previously announced plan of arrangement under the *Business Corporations Act* (Ontario) involving the proposed acquisition by 2400520 Ontario Inc., an indirect wholly-owned subsidiary of TransForce Inc., of its common shares which are not already owned by the purchaser or TransForce, for consideration of US$6.50 in cash per share. Completion of the Arrangement is subject to a number of conditions. Vitran intends to complete the Arrangement as soon as possible after all conditions have been met or waived. There is no certainty, nor can Vitran provide any assurance, that the conditions to the completion of the Arrangement will be satisfied or if satisfied, when they will be satisfied. The arrangement agreement dated December 30, 2013 among Vitran, the Purchaser and TransForce provides that the Arrangement will not be completed after April 30, 2014 without the mutual agreement of the parties to the Arrangement Agreement.

Vitran suffered losses from continuing operations in excess of $34 million during the first six months of 2013, occasioned by losses in its U.S. LTL business, which seriously eroded its working capital. A six-month search for a purchaser of its U.S. business culminated with the closing on October 7 of the sale of the U.S. LTL business to a company owned by Matthew Moroun for a nominal sum, which allowed Vitran to book an operating profit from its Canadian business for the three months ended September 30.

On December 30 Vitran entered into a definitive arrangement agreement with TransForce Inc. to be acquired for US$6.50 per share after it had earlier entered into an Agreement to be acquired by Manitoulin Transport. The latter Agreement was dissolved by way of mutual agreement

OOCL profits swamped in the wake of cascading after arrival of bigger ships

BY MIKE WACKETT

Hong Kong-based OOCL saw its net profit slashed by 84 per cent in 2013, compared with the previous year, to $47 million, as the influx of ultra-large containerships onto the Asia-Europe tradelane displaced a number of post-panamax vessels onto other routes.

OOCL has in the past been protected from most of the ills suffered by its peers predominately serving Asia-Europe, as the troubled trade only represents about 16 per cent of the carrier's total throughput, compared with 54 per cent for intra-Asia and intra-Australasia and 23 per cent on the transpacific.

Chairman of parent group OOCL, CC Tung, explained: "The deployment of the largest newbuildings to the Asia-Europe trade triggered cascading into the transpacific trade, which in turn further displaced a considerable number of mid-sized ships to other trade lanes. "This cascading effect brought considerable excess capacity to the intra-Asia and Australasia trades as well as the transpacific trade, and added volatility to the market."

OOCL's total liftings for the year increased by 1.5 per cent over 2012, to 5.3 million TEUs, with a "steady load factor" of 73 per cent, but revenue declined 4 per cent to $6.2 billion, reflecting the damage caused by excess capacity across all trade lanes. Revenue declined on every trade the carrier operated: down 11.4 per cent on Asia-Europe; 6.8 per cent on the transatlantic; 3.4 per cent on the transpacific; and 2.1 per cent on intra-Asia/Australasia.

Mr Tung added: "Seaborne trade growth for the liner industry was subdued in 2013. Freight levels were disappointing, especially during the first half of the year. During the second half of the year, both physical cargo movement and sentiment improved, resulting in a slightly better freight market. "Although container shipping demand growth in 2013 was lower than forecasts, capacity supply growth was also lower than forecast, which helped contribute to a much-needed recovery in rates, albeit mild, during the second half of the year."

OOCL does not expect the container liner industry's nemesis, overcapacity, to disappear overnight, but took a bullish tone about the future. Mr Tung said: "In 2014, it is anticipated that further tonnage growth will lead to continued overcapacity. It is forecasted, however, that the demand growth in 2014 will outpace that of 2013.

Photo: Robert Cutts

"With the U.S. recovery now a consensus, Eurozone recovery on more solid ground, and the current Chinese and Japanese economic growth trajectory, a healthier trade outlook should be expected despite recent uncertainty on emerging markets. This is especially true on the major east west trades. "Indeed, such development should mean improved outlook for the transpacific, Asia-Europe and intra-Asia trades and more positive results for the industry as a whole."

OOCL, like most of its rivals, is banking on the economies of scale provided by its ultra-large container vessels to bring it through the problems of the past few years, and will receive two more 13,208 TEU ships this year to complement the eight delivered in 2013.

"In 2014, the group shall see the full year effect of the mega-class newbuildings delivered in 2013, all of which were developed with the most advanced design and equipped with the latest technology. A positive contribution of unit cost reduction and, given more favourable market conditions, an improvement in margin are therefore expected in the coming year," Mr Tung concluded.

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Untold lost revenue hidden in inaccurate ocean freight invoices

BY R.BRUCE STRIEGLER

Inaccuracy rates estimated as high as 30 percent

Soren Skou, CEO of Maersk Line made news last spring with his keynote address at the Journal of Commerce's13th annual Trans-Pacific Maritime Conference in Long Beach, Ca. He particularly caught the attention of shippers when he told delegates that 12 per cent of invoices issued by ocean carriers contain inaccuracies, and volatility in rates would only make improving on the inaccuracies all the more difficult.

Since the April 2013 conference, shippers both large and small, have examined how they handle back-office operations and, more importantly, how they can recoup payments from inaccurate billing. Whether done in-house or by third-party specialists, auditing ocean freight invoices is a layered process that, done correctly, can help customers do that. There was a time when freight payment and audit services were all about billing accuracy, but they now deliver financial insight through pre-payment auditing, reporting, benchmarking and other analytic tools.

In a follow-up webcast the Journal of Commerce (JOC) put together Steve Ferreira, President of Ocean Audit Inc. and 30-year veteran of supply chain management, and Peter Moore, adjunct professor at the University of Denver's Daniels College of Business, and the University of South Carolina. Mr. Ferreira observed that in several subsequent articles reporting the Maersk Chief's remarks, two leading E-commerce providers were quoted saying they thought Maersk was doing a good job at 12 per cent, and speculated that real industry error rates were somewhere closer to between 25 and 30 per cent. "Although I've been doing this for over twenty years, there is very little hard data on how E-commerce or pre-audit solutions correct error rates."

For ocean freight vendors, it can be difficult to keep an eye on invoice accuracy when the focus is on increasing rates and margins and trying to return to profitability, but for thousands of businesses in the ocean freight sector, invoice inaccuracy represents revenue leakage on a grand scale, and Mr. Ferreira notes, "Those in the shipping industry who benefit from these financial miscalculations have not been quick to acknowledge the situation. E-commerce has been touted as the next breakthrough in the ocean freight industry, but I wonder why error rates still exist if these solutions are so perfect and they've had years to refine them."

Improvements needed in complex world of ocean freight invoicing

Ferreira adds that in his view, the steps to improving ocean audits and the resulting improved cash flow need to come from an enhanced campaign that importers, exporters, and 3PL's can consider best practices. Ferreira points out that ocean freight is the only transportation mode that has a three year statute of limitations for refunds and credit recoveries. "At the moment, ocean audit is an inconsistent and misapplied practice. There's very little insight of enhancement of ocean audit practices and often, can't be discussed beyond the E-commerce variety. So the bottom line, in terms of audit quality, is whatever audit solution goes live, there is generally little thought to addressing the biggest cash-cow of all, the three years of invoicing that preceded any real-time attempt at audit." He continued, saying that if one were to assume 12 per cent of cargo was pilfered or lost overboard, it would be an actionable item, and accordingly, inaccurate invoices should be treated the same way.

In the complex world of ocean freight invoicing, Mr. Ferreira lists the potential sources of invoice error, saying that errors can originate with the supplier accounts payable department, the enterprise resource planning (ERP) system, the individual who is responsible for actually approving the invoice or the logistics team that submits an invoice for payment and finally, the actual ocean freight vendors themselves. Ferreira says that the considerable list of issues contributing to invoice error include circumstances of precision timing against contract effective dates or relying on third parties, noting that only a small percentage of invoices are audited internally by the vendor prior to release.

"Why," asks Ferreira, "has invoice accuracy not improved with E-commerce platforms, despite claims that is has?" He points out that the answer is simple, explaining that there is no industry standard benchmarking for E-commerce providers that they can turn to and say, "We've really cut your error rates down substantially". Even though leading electronic commerce platforms have noted that the invoice error rate was 25 to 50 per cent in 2010, electronic data interchange (EDI) transactions from vendors often requires cleansing, lack consistency or have issues related to charge codes. Steve Ferreira says, "No matter when you insert some type of corrective action in the pre-audit or audit process, it does nothing to stem negative cash flow that existed for the previous three years, as I noted regarding statute of limitations." He continued explaining that pre-audit tools don't necessarily identify duplicate billing when invoice and amounts are different.

Accounts payable systems not all up to the task

"What we often see is that at the end of the day, clients capture six of twelve per cent of errors, and the client's perception is that the mission has been accomplished. "That's all there is, we got it all". He notes that less than 40 per cent of companies audit their ocean freight spending. Among the reasons that audit number may be so low Mr. Ferreira suggests that beneficial cargo owner (BCO) systems may not be robust enough to discern potential duplicates (a different invoice number and different amounts on the invoice may actually cover the same set of containers), there can be feelings of immunity from mistakes due to systems or approaches to those systems as well as a reliance upon others. "Clients don't really perceive the audits as a service because they think there may be little potential return, thinking it's so simple there's nothing there."

Supply chain specialist Peter Moore interjects that with respect to the need for audits, shippers need to look inside their company, "A lot of our accounts payable systems lack any kind of sophistication and contain little space for variability, but in real terms, there is a degree of complexity with ocean invoicing. Nevertheless, it doesn't take that much of an error to pay for the training and sophistication on the shipper's side in order to have the accuracy we need to have."

Mr. Moore also says that the team negotiating ocean rates is not always the same team tasked with auditing. "It's difficult to expect personnel without ocean freight skills to successfully audit invoices and payments. It really behooves us to get somebody to help us at a reasonable cost, and this is really where ocean audits have grown, due to the increasing volume, but as Steve has noted, it is still a minority of companies that are doing this. The evidence suggests that it really needs to be taken seriously on the shipper's side." He adds that audits have not been demanded by clients since, generally, they are unaware of the extent of the leakage.

Steve Ferreira concluded, saying, "Even after thousands of audits, I've seen very few formalized error dispute management processes, they are virtually non-existent. Shippers must have a dispute management process other than email, as payments many of you have made to ocean freight vendors are much larger than you may have thought, and having multiple ocean freight vendors makes striving for accuracy even more challenging."

UPCOMING EVENTS

Contact WENDY HENNICK
whennick@canadiansailings.ca • 514-556-3042 Ext. 2

EVENTS LISTED FREE

March 24-25

AMERICAN ASSOCIATION OF PORT AUTHORITIES
Spring Conference
The Renaissance Washington, Washington, DC
contact: 703-684-5700, Colleen O'Sullivan
cosullivan@aapa-ports.org
www.aapa-ports.org

March 26

CANADIAN INSTITUTE OF TRAFFIC AND TRANSPORTATION
Webinar – Road Transportation
12:00 – 12:45
contact: 416-363-5696, Jennifer Traer
jtraer@citt.ca
www.citt.ca

March 27

THE TRAFFIC CLUB OF MONTREAL
Annual Gala Dinner
Hotel Omni, Montreal, Quebec
contact: 514-874-1207, Richard Parent
info@tcmtl.com
www.tcmtl.com

April 1

HUMAN RESOURCES SECTORIAL COMMITTEE OF THE MARITIME INDUSTRY
Human Resources Training Seminar
Auberge Godefroy, Trois Rivieres,Quebec
contact: 418-694-9401
daudet@csmoin.qc.ca
www.csmoin.qc.ca

April 2

CANADIAN INSTITUTE OF TRAFFIC AND TRANSPORTATION
Montreal Area Council Lafarge Canada Tour
Lafarge, Saint-Constant, Quebec
contact: 416-363-5696, Jennifer Traer
jtraer@citt.ca
www.citt.ca

April 8-10

AMERICAN ASSOCIATION OF PORT AUTHORITIES
Port Finance Seminar
New Orleans Marriott, New Orleans, Louisiana
contact: 703-684-5700, Colleen O'Sullivan
cosullivan@aapa-ports.org
www.aapa-ports.org

April 10

HUMAN RESOURCES SECTORIAL COMMITTEE OF THE MARITIME INDUSTRY
Human Resources Training Seminar
Auberge Godefroy, Trois Rivieres,Quebec
contact: 418-694-9401
daudet@csmoin.qc.ca
www.csmoin.qc.ca

April 10

CANADIAN INTERNATIONAL FREIGHT FORWARDERS ASSOCATION
Central Division Forwarders Choice Awards Gala Dinner
Mississauga Conventure Centre, Mississauga, Ontario
contact: 416-234-5100, Nick Lutz
marketing@ciffa.com
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