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An Open Letter to All Citizens Concerned with Increased Economic & Environmental Shipping-Related Costs

Re: An Effective Solution to Shipping Challenges

Industry and business depend on being able to reliably predict the amount of time it will take to move goods. Frequent delays and uncertainty force the private sector to build larger buffers into their delivery and/or receiving schedules which, in turn increases carrying, handling and potentially, transportation costs. These increased costs are passed on to businesses and ultimately consumers. Traffic congestion wreaks havoc on 'just in time' forecasting and reliability, which is why it is a top local transportation issue identified by the business and goods movement community in Metro Vancouver and elsewhere. Congestion occurs when the number of road users (demand) exceeds road capacity (supply); at which point the efficiency of that part of the network is compromised. This results in delays and unreliable transit times according to the TransLink study, *Regional Goods Movement in Metro Vancouver*.

The Port Alberni Port Authority (PAPA) has considered the transportation challenges in the Lower Mainland and on the West Coast related to movement of containerized cargo and the serious downstream negative consequences for the industry. Our Pre-Feasibility study, of the Port Alberni Transshipment Hub (PATH) project, in 2014 addresses these issues and provides solutions. These negative impacts have worsened dramatically since then, in part due to the continuing increase of container ship traffic. Rail lines are running at capacity. Lower mainland streets are clogged. Greenhouse gas emissions are rising. In addition to these negative impacts, industry is facing an accelerating shortage of truck drivers. Available land for industrial and commercial growth is virtually null while all classes of real estate prices, including residential, have soared. PAPA's studies and vision have created a solution to ease all of these issues with PATH.

While container traffic projections continue to increase, the negative impacts of current shipping logistics are just the tip of the iceberg - movements of many other commodities are facing far greater challenges. The Port of Vancouver's proposed Roberts Bank Terminal 2 (T2) project, which is simply doing more of the same, will exacerbate current challenges the industry is facing.

In addition to potentially building T2, there are 3 new large bulk terminals currently under construction and/or approved for development in the Lower Mainland. Cargo for those terminals arrives by rail. By many reports, our current railway system is already stretched to maximum capacity with container shipments and commodities such as coal, grain, and potash. Adding more goods into the current rail system would seriously compromise cargo fluidity in the future.

Port of Vancouver's 2017 statistics show they handled almost 100 million tons of bulk cargo, such as grain, potash and coal from their current facilities. Transport Canada's numbers in 2014 show more than 3 million rail cars arrived and departed from the lower mainland. That equates to over 23,000 trains, 9000 feet long per year, which equates to over 2.5, 9000 foot trains each hour, every day of the year. These are staggering numbers!

Many people are surprised to learn that the current congestion in the Lower Mainland requires that shipping containers be transported to Calgary for receiving, sorting, storing and the contents then returned to the end users, including consumers. Currently, approximately 485,000 Twenty Equivalent Units (TEU's) move annually via the Port of Vancouver to Calgary's distribution centers. The same 485,000 TEU's are returned back as empty containers using the same over-used and congested rail lines. These empty containers equate to roughly 1,200 trains per year; an average of 3.3 per day. Let's not forget that with the lack of necessary pipeline infrastructure to export oil from Alberta as an increasingly alarming volume is transported by rail. This adds additional pressure on the end to end logistics and infrastructure, thus, increasing the risk of a catastrophic incident.

Warehouse space in the lower mainland is very expensive; becoming cost prohibitive to operate a warehouse at any reasonable distance from the Port. As evidence, we note a recent sale of the 19 acre Saputo Milk Plant in Burnaby for \$209 million.

Another concern is that it is estimated that Canada is facing a shortage of between 25,000 to 34,000 truck drivers by 2024. With rail lines stretched to the limit and an impending truck driver bubble about to burst, how will our nation move its goods to international trading partners and to our own consumers?

PATH considers all of these issues, and others, to provide a "relief valve" to the increasing pressure of our trade-based economy that's increasingly reliant upon shipping with our trading partners in Asia. PATH offers a "hub and spoke" model that would see a new transshipment port located in the mouth of Barkley Sound on the west coast of Vancouver Island – a location within "arm's reach" of current shipping routes - where the new Ultra Large Container Ships (ULCS's) would offload containers for import to Canada and re-load Canadian commodities and goods for export to Asia. These imported containers at PATH would then be sorted and loaded onto barges where they would be towed throughout the Salish Sea and Puget Sound water-ways directly to the distribution centers located along the banks of the Fraser River and further south when required. Containers/orders would be barged in full, just in time and just where needed. PATH would also load barges in such a method that the containers could then load directly in sequence to rail lines destined to locations eastward or southward in North America.

It should be interesting to note that ULCS (Ultra Large Container Ships defined as able to carry over 14,500 TEUs) are not currently being used on the Pacific Trade Route, while they are on every other marine shipping route across the globe. In fact, of over 1,800 port calls of the ULCS around the globe, there are virtually zero calls to the North American West Coast.

The benefits of PATH are deep and wide covering economic, social and environmental metrics. A few key examples of these most impactful benefits include:

1. Traffic congestion throughout the Lower Mainland of British Columbia is causing 10 million hours of additional vehicle travel time per year - and increasing

In its 2017 report: "Stuck in Traffic for 10,000 Years" the Canadian Chamber of Commerce revealed this startling statistic. Trade-related commercial truck traffic is a large contributor to this congestion leading to significant negative environmental and economic impacts throughout the supply chain.

The PATH "hub and spoke" model utilizes barges to transport containers along the marine highway to move goods directly to warehouses and distribution centers. A single barge used in the PATH model will eliminate roughly 600 commercial truck trips.

2. Greenhouse Gas Emissions and Environmental Impact

As we are all concerned with human-caused activities contributing to air pollution and climate change - both of which have serious immediate and long term negative impacts to health and food security – it is incumbent upon all of us to consider and implement creative solutions. The core logistics model of PATH does a number of things to directly and indirectly reduce harmful greenhouse gas emissions, including:

- Reducing the amount of sailing distances of cargo ships throughout our coastal waters
- Reducing the amount of container truck distances travelled by barging containers directly to distribution centers
- Reducing the shipping-related traffic congestion that is leading to increased emissions from commuter vehicles

An August 31, 2018 article in the Vancouver edition of The Star notes that noise pollution from ship traffic in the already busy Salish Sea is preventing the remaining 75 endangered southern resident killer whales from successfully finding their prey.

PATH will mitigate impacts of noise pollution resulting from container shipments by reducing the number of Large Container Ships in the Salish Sea and utilizing shallow-hulled barges towed by tugs. This method creates significantly less marine noise pollution due to the much smaller draft that is not typical of massive container ships.

3. Metro Vancouver is currently the hottest location in the world for industrial real estate

According to an August 17, 2018 Toronto Star article, the Vancouver area is the hottest global market for industrial real estate, including warehouses. Citing CBRE Group Inc.'s figures, 2018 1st quarter lease rates are up 29% year over year compared to the global average increase of 3%. Furthermore, the article projects that available industrial real estate will diminish to zero by 2020.

PATH would be located on Vancouver Island, within reach of several supporting communities, but surrounded by thousands of hectares of hinterland for the transformation of green fields to affordable warehouses, re-load facilities and distribution centres.

4. Shipping terminals and warehouse congestion in Metro Vancouver is creating inefficient, bottleneck processes in the supply chain

It has become necessary for such major goods importers as Wal-Mart to transport their containers to warehouses and distribution centres in Alberta. These containers are then emptied and returned to British Columbia tidal waters. The result of this is multiple handling of each container; increased costs; further burden on the already over-capacity rail lines; and added rail delays for our economy's critically important grain, potash, mineral ores and other commodities exporters.

In an April 24, 2018 article in the Financial Post, then interim CEO of Canadian National Railway, Jean-Jacques Ruest, is cited as saying that due to capacity issues: "the railway has been forced to turn away some business." The Canadian Chamber of Commerce's 2017 "Stuck in Traffic for 10,000 Years: Canadian Problems that Infrastructure Investment Can Solve" specifically cites the proposed PATH project as being able to "add capacity and resiliency on the west coast... (that) is driven by the idea that the waterways...could be better used to more efficiently move goods in the region." PATH provides the required "relief valve" and more efficient capacity throughout the supply chain. The hub and spoke

method reduces the downstream pressure on rail and trucking lines to move imported containers by maximizing the highly underutilized marine highway.

5. Vancouver Island

Vancouver Island currently “trades” more than 500,000 TEUs with the lower mainland. Essentially all of the internationally imported goods and most of Vancouver Island’s export must be moved through the lower mainland adding more pressure to the stressed transportation network. Vancouver Island, being so close to the lower mainland; being a large consumer base of its own with a population of approximately 800,000 people (which is greater than 3 Atlantic Canadian provinces and, one third the population of the lower mainland of BC, by comparison); one of the fastest growing regions in Canada; with an abundance of affordable land for living and working; and a recent designation as a Foreign Trade Zone; is the perfect location and solution for the future container movements on the west coast.

We emphasize that the Port of Vancouver is a critical economic driver for Canada that oversees infrastructure and operations that are absolutely necessary to facilitate our country’s international trade and growth. Our studies and stakeholder feedback have identified PATH as a viable solution to support trade growth in a way that provides net economic, environmental and social benefits throughout the entire supply chain but more specifically, the west coast region.

“It’s always been done this way” does not work in today’s society. Yet we continue to do more of the same expecting different results. Our tax dollars continue to be earmarked for improving the transportation network in the lower mainland, which has resulted in billions of dollars of investment in roads, bridges, railway crossings, etc. PATH essentially address many of our region’s most serious issues and concerns for both sides of the Georgia Strait, while significantly reducing the demand for ongoing and never-ending infrastructure upgrades to support our current distribution strategy.

Our ports and distribution networks are becoming more congested and falling further behind the rest of the world and will seriously impact our ability to trade in the future. Today’s landscape is changing rapidly. Tomorrow’s landscape will be beyond our grasp if we don’t act now. Not only do we have to be a responsible custodian of the environment for our future generations –but we must plan with long term vision and incorporate environmental, social and economic benefits in every aspect of our distribution strategies.

To learn more about the proposed Port Alberni Transshipment Hub visit:

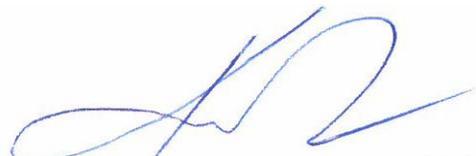
www.pathbc.ca

www.youtube.com/watch?v=tF4NZ94TP04

Sincerely,



Ron Crema, Chair



Zoran Knezevic, President & CEO