

THE ST. LAWRENCE-GREAT LAKES TRADE GATEWAY



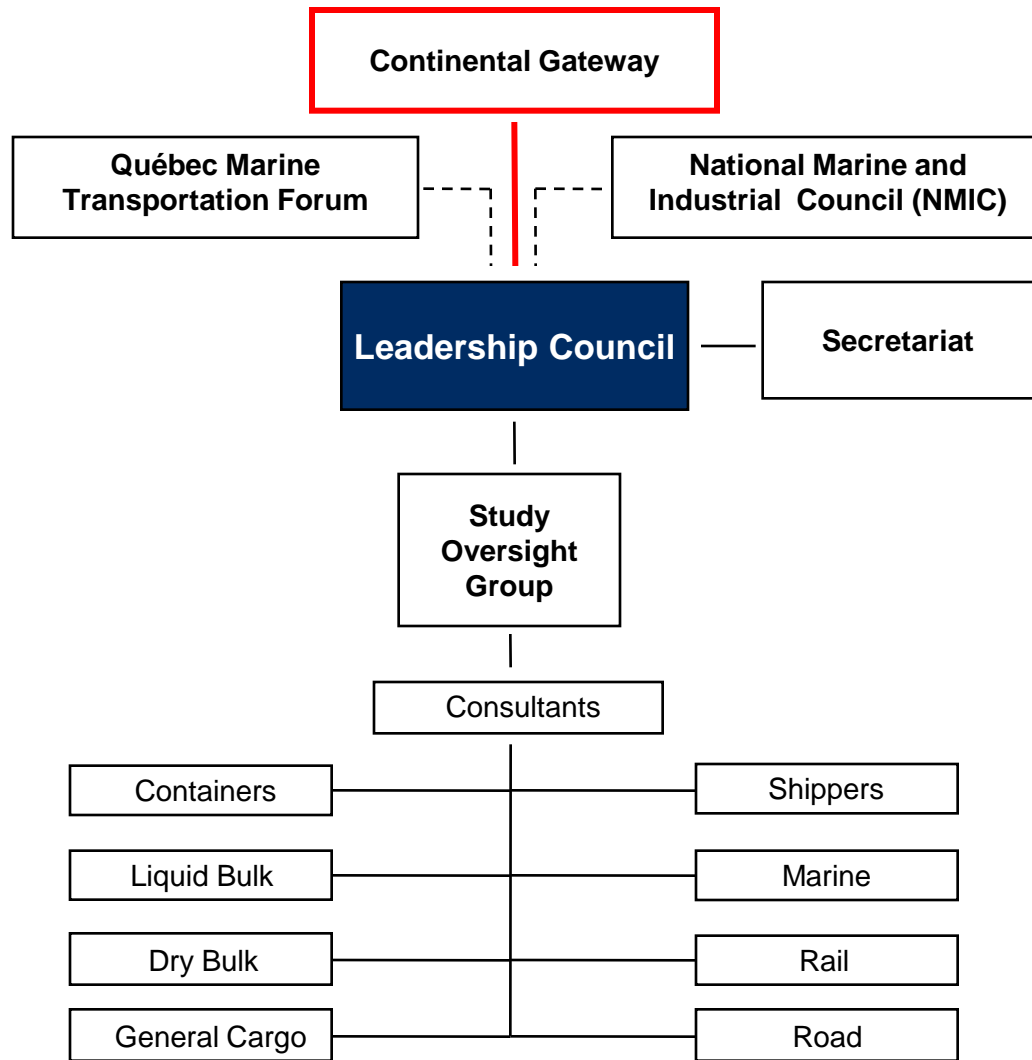
BACKGROUND

- Initiated by the Forum Maritime du Québec (early 2006) but includes Ontario as an equally important component;
- Leadership committee is composed of senior officers, mostly CEOs of leading transportation companies in both Québec and Ontario –strictly private sector players coming from the marine, rail, truck and intermodal sectors.

VISION

To become the most competitive gateway in northeastern North America in order to enhance the growth of international and domestic trade for the benefit of Québec and Ontario's prosperity and sustainable development.

STRUCTURE



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Chair:

Madeleine Paquin, *CEO, Logistec*

Members:

Don Campbell, *VP, Canadian Pacific Railway*

Richard Corfe, *CEO, SLSMC*

Denis Dupuis, *CEO, Québec Stevedoring Co.*

François Hébert, *VP, Canadian National*

Tim Heney, *CEO, Thunder Bay Port Authority*

Rod Jones, *CEO, CSL Group*

Allister Paterson, *CEO, Seaway Marine Transport*

Laurence G. Pathy, *CEO, Fednav*

Patrice Pelletier, *CEO, Montréal Port Authority*

Claude Robert, *CEO, Transport Robert*

Ron Tepper, *CEO, Consolidated Fastfrate*

STRUCTURE

BULK

Mark PATHY

Fednav

CONTAINERS

David CARDIN

Maersk

GENERAL CARGO

Rodney CORRIGAN

Novosteel

LIQUID BULK

Marc DULUDE

IMTT-Québec

STRUCTURE

Shipowners/ Ship & Barge Operators	Canada Steamship Lines Fednav Algoma Central	Groupe Desgagnés Seaway Marine Transport McKeil Marine
Ports	Port of Montréal Port of Québec Port of Sept-Îles Port of Trois-Rivières	Port of Toronto Port of Oshawa Port of Thunder Bay St. Lawrence Seaway
Rail	Canadian National	Canadian Pacific
Shippers	Alouette Arcelor-Mittal (Dofasco) Arcelor-Mittal (US) Richardson QCM Vale Inco Viterra Imperial Oil Norcan Ultramar	Novosteel Wirth Steel Rio Tinto Alcan Canadian Tire Hudson's Bay Wal-Mart Air Canada Petro-Canada Shell
Terminals	Logistec Québec Stevedoring Somavrac IMTT-Québec Valleytank	Ceres Montréal Gateway Valport Servitank Vopak
Trucking	Fastrate	Transport Robert
Container Carriers	Hapag-Lloyd Maersk MSC	NYK OOCL

STRUCTURE

- Consultant selected: IBI
- Financial partners for the study: Canada Economic Development and Transport Québec;
- Terms of reference:
 - Diagnosis of the St. Lawrence / Great Lakes region transportation system;
 - Analysis of future development needs of the corridor:
 - Demand Analysis and Key Supply Chains per cargo group;
 - Capacity Analysis and Competitive Routings;
 - Opportunities and bottlenecks, both regulatory and with respect to infrastructure, with their impact on trade;
 - Potential Solutions.

Container: Characteristics and trends

- Most popular form of transportation for retail and packaged goods;
- Canada at mercy of large global carriers who have a choice of ports;
- Carriers offer door to door service: hinterland rail and truck movements key to competitiveness of supply chain;
- Container growth expected: 5-7%.

Container: Bottlenecks and solutions

The container group believes focus should be maintained at the Port of Montréal as it has the strong intermodal connections to key markets.

But, to handle growth, it will need:

- To increase container infrastructure, or, land devoted to container-handling at the Port of Montréal;
- Improve hinterland connections:
 - Partner with private sector to build new Detroit River Tunnel capable of handling full double stack railcars
 - Specific rail-grade separations between Montréal and key markets in Ontario and the Midwest
 - Improve port road access and access to intermodal facilities (Montréal/Toronto)
- Increase navigation channel between Montréal and Québec to ensure another foot of water

Dry Bulk: Characteristics and trends

- Includes grain, coal, iron ore, aggregates, salt, sugar, alumina, etc.
- Commodity prices high based on strong demand and production in China –most economists believe this demand is sustainable;
- Smelters and steel plants in Québec and Ontario working at capacity –inputs largely sourced by ships;
- Mining resources being developed and sold in larger quantities than ever;
- New markets developing for Canadian resources.

Dry Bulk: Bottlenecks and solutions

- Need for transshipment capability at deep port;
- Need for infrastructure to handle new exports of iron ore from North Shore;
- Need to improve navigation channel to Québec at North Traverse;
- Need to keep transshipment costs minimal, particularly for GL cargoes.

Solutions:

- Partner with private sector to improve and expand transshipment facilities at port of Québec;
- Partner with private sector to build multi-user deep berth facility to handle 15-30M tonnes of iron ore for new export markets; may also be used for transshipment;
- Dredge North Passage (la traverse nord);
- Remove 25% duty on imported vessels;
- Rail grade separations in Québec-Ontario corridor;
- Minimize user fees, security charges, pilotage costs to ensure maximum competitiveness of the system;
- Extend the effective navigation season in the St Lawrence Seaway.

General cargo: Characteristics and trends

Includes:

- Steel imports are down and not expected to resume their previous highs due to industry consolidation and continental self-sufficiency; new mills will be built in the south;
- Forest products are down significantly as this fragile industry has experienced many mill closures; overseas trade has also been containerized to a large degree;
- Project cargo such as oil sands and windmills are both up at this time but the future is difficult to predict; there is fierce competition from the Mississippi; windmills built for the Québec-Ontario market will use niche ports;
- Northern cargoes have grown over last years and, with strong mining and development of northern communities, growth is expected to continue; these cargoes use niche ports.

General cargo: Bottlenecks and solutions

- Lack of access and funding for niche ports;
- Labour-related issues.

Solutions:

- Improve port capacity and access for general cargo in niche ports along the system subject to specific business cases;
- Establish a public-private initiative to address labour shortage issues and to develop programs to attract, train, and retain skilled workers;
- Abolish 25% duty on imported new vessels;
- Harmonize regulations regarding cross-border, trucking and navigation fees between Canada and USA;

Liquid Bulk: Characteristics and trends

- Working group focussed on three areas: crude petroleum (10MMT/A imports), fuels (i.e. Gasoline and aviation fuel represent 4MMT/A), and chemicals;
- Petroleum and fuels expected to grow 1.5 to 2.0% p.a.;
- Marine share will depend on outcome of ongoing industry consolidation, location of new refineries and pipeline strategies;
- Port of Québec is developing business in transshipment of fuels and chemicals to complement direct hits to upstream liquid bulk destinations.

Liquid Bulk: Bottlenecks and solutions

Need for increased transshipment capability at a deep-draft port;

Lack of flexibility in the system;

Regulations limiting development of buffer capacity.

Solutions:

- Partner with private sector to improve and expand liquid bulk transshipment facilities based at the port of Québec;
- Harmonize regulations between the various levels of government –federal, provincial and municipal, regarding land-use and zoning, and streamline environmental regulations;
- Improve navigation channel capacity and port access by dredging to improve load carried by vessels in the North Traverse region.

Other issues

- SSS: could improve in dry bulk and general cargo but costs too high:
 - Eliminate 25% duty;
 - Reduce navigation fees;
 - Increase navigation season in the Seaway;
- IJC New Plan:
 - More frequent fluctuations of very low and very high water levels will be detrimental to commercial navigation:
 - Stick to the current plan;
 - Revise models and test them extensively before implementing any new plan.

Conclusion

