



Short Sea up close—the new wave of the future?

SHORT SEA CONCEPT ARTICLES
BY DOUG BARNARD

Special to *The Business Executive*

Unless you've been living under a rock, you'll know that Canada is a major trading nation. In fact, a full one in three jobs (depending on the economy) involves some kind of export activity. With international trade expected to double by the year 2000, it's critical, according to Transport Canada, that the Canadian transportation system be ready for the increase in traffic. Success they say will depend on developing an "integrated multimodal transportation system".

That's where Short Sea comes in. The Federal Government sees Short Sea as a means to improve trade, alleviate congested road transport and bottlenecks and reduce greenhouse gases. Implementing Short Sea would also increase the utilization of waterways and help promote an integrated transport system. What follows is a quick primer on the details of Short Sea:

Short Sea shipping covers four categories:

1. Movement of ocean containers and truck trailers
2. Movement of passengers and their vehicles
3. Transporting of bulk commodities — dry or liquid
4. Safe transport of cargo-conventional dangerous goods

Bulk commodities can be moved by tug-pulled barge, goods or people by high-speed ferry, existing vessels or new vessels built expressly for particular jobs. Examples of Short Sea practices already exist in Canada. They include the Detroit-Windsor Truck Ferry Operation, Seaspam intermodal coastal service between Vancouver Island and the mainland and Oceanex, a shipping service to Newfoundland and Labrador. Although

CN Rail doesn't call it a Short Sea service, it does transport entire trains by barge from British Columbia to Alaska as part of its Aquatrain service.

Transport Canada lists Short Sea proposals for many Canadian waterways including a Halifax to New Hampshire water route, a ferry service across points on the lower St. Lawrence River, and a new barge terminal on the Fraser River for handling roll-on and roll-off services for trucks.

Ontario proposals include a fast-ferry service for cars, passengers and trucks in both Lake Ontario and Lake Erie linking Canada and the United States. There is as well a potential future for expanded barge services carrying bulk and possibly container cargos into the St. Lawrence Seaway and the Great Lakes system.

Like any concept, Short Sea presents opportunities and obstacles.

Opportunities include:

- Generally lower infrastructure costs
- Lower energy consumption
- Unlimited waterway capacity
- Price Competitiveness
- Reliability and safety

Obstacles include:

- Longer transit times depending on routing
- The problem of ice during winter months
- Vessel and port interfaces that may need improvements
- Problems with depths of canals or ports
- Institutional rules and regulations

Across the border, the U.S. Maritime Administration (part of the U.S. Department of Transportation) has signed an agreement with Canada to co-operate on developing Short Sea. The Administration is actively promoting and exploring measures to help stimulate Short Sea-related activity. Their pursuit of the concept is being driven by what they see as a landside transportation system that's already stretched to the limit. Increased international trade will only burden an already stressed transportation infrastructure.

As for solutions, the United States Government thinks major expansion of the country's rail and highway transportation corridors is "economically infeasible and physically impossible." Short Sea, according to the Marine Administration, is the "wave of America's future."

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Canada and U.S. promote Short Sea Transport concept for Golden Horseshoe

Feedback from the business community has been positive so far

Imagine a transportation system where your goods arrive consistently on time without long delays at border crossings or on congested highways. What is now only a dream could become a reality in the next few years, thanks to a transportation concept called "Short Sea."

Short Sea, being promoted by the federal governments on both sides of the border, is the movement of cargo or passengers by water over relatively short distances within lakes and river systems. Short Sea is already a highly developed form of transportation in the European Union where high-speed vessels and 15-barge tows, aided by advanced cargo handling equipment are reducing road congestion and saving fuel.

Here in North America, Transport Canada and the United States Department of Transportation signed a Memorandum of Cooperation in July to promote Short Sea and share in the development of associated technology. It marks a beginning for what will be a complicated process of sorting out who the players are, where funding will come from and what form the new transportation system will take. What is known is

what ports are key to a transportation network on Lake Ontario: Hamilton, Oshawa and Oswego in New York State.

Transport Canada has laid out guidelines for development of Short Sea in a policy document titled "Straight Ahead: A Vision for Transportation in Canada." The content reflects Federal Transport Minister David Collenette's endorsement of the concept:

"I've been quite vocal in promoting increased use of the Seaway to reduce congestion and gridlock, particularly in the Golden Horseshoe area. What needs to happen, in my view, is for the different modes to start working together as partners rather than rivals."

To that end, Transport Canada wrapped up a series of workshops in October to bring together members of the transportation industry to explore opportunities and challenges to developing Short Sea shipping. Three of the sessions were held in Ontario: Thunder Bay, Windsor and Oakville. Other sessions were organized for Vancouver, Halifax and Montreal.

Transport Canada's Marc Fortin, project manager for Short Sea says findings of the

meetings will be released to the public soon and admits the concept is in its infancy stage.

"It's too early to set a timetable for what needs to be done and too early to talk about any costs (but) I can say that feedback from the business community has been positive so far. Short Sea definitely has a marine flavour but we want to develop the multimodal aspect of it as we move ahead," says Fortin.

American authorities are at the same stage of development and are just as adamant that Short Sea goes ahead. United States Secretary of Transportation Norman Mineta says there has never been a coherent, coordinated, and comprehensive national transportation policy that includes highways, transit, rail, airports and seaports as part of the greater whole. "It is our greatest challenge to start thinking and planning in terms of the greater whole," Mineta says.

Back in Canada, Marc Fortin says Transport Canada is looking forward to exchanging information and research findings with the United States. "We also hope to expand the exchange of knowledge with other countries such as those in the European Union."

Hamilton Port Authority launches Modal-Shift Study

The Port of Hamilton has embarked on a study to determine if the Port of Hamilton can become a hub for intra-lake commerce. The study, lead by Cambridge-based marine consultants The Mariport Group, will focus on how ships and barges may be able to recapture freight business lost to truck and rail firms. More constructively, the study will also look into whether the marine mode can make the land-based logistic component more efficient.

The capacity of the marine industry to carry loaded trucks and boxcars as well as traditional bulk, containerized and general cargo could actually encourage intermodal freight handling. Robert Matthews, marketing and trade development manager for the Hamilton Port Authority, says the need for "just in time" delivery is getting increasingly harder to achieve. "The problem is gridlock across the greater Toronto area. The possibility of moving freight across Lake Ontario instead of around it may be a realistic option," says Matthews.



Matthews says the time is right for the study because Transport Canada is promoting the concept of Short Sea shipping, particularly in the Great Lakes. The Province of Ontario and the Ministry of Transportation is also pushing for innovative solutions to alleviate negative effects on the environment.

Harbour Authority Chairman Fred Eisenberger says there may be ways the marine industry can help Canada comply with the Kyoto Protocol. "Given our strategic location, we saw the need to show leadership on the issue," says Eisenberger.

McMaster University's Michael G. DeGroot School of Business will also participate in the study, giving university students an excellent opportunity to work on a "real-world" project.

Hamilton Port Authority President and CEO Keith Robson added, "We're excited about working with McMaster. We trust their participation will encourage local industry to get fully involved. We expect the study to reach some interesting conclusions."

Hamilton Port Authority: Positioning for the future

HAMILTON — The Hamilton Port Authority wants to be ready to participate in any future Short Sea initiatives. Hamilton is one of three ports (along with Oshawa and Oswago, New York) that have been identified by Transport Canada as major players in any Short Sea operations.

Not surprisingly, the Port Authority's manager of marketing and trade development, Robert Matthews is excited about Hamilton's potential role in Short Sea. "We see it as an area we have to get into. The Great Lakes trade has become rather stagnant in growth so we have to start looking outside the box for opportunities," says Matthews.

The Port of Hamilton is the busiest Great Lakes port in Canada. More than 13 million tonnes of cargo move in and out of the port annually from more than 700 visiting ships.

The Hamilton Port Authority operates the port with its 11,000 metres of docking facilities and 200 hectares of industrial, commercial and recreational lands.

The Port Authority has diversified its operations to include rental of buildings and docks to private companies, many of which are not directly related to the shipping industry. A new marine discovery centre at the west end of Pier 8 will complement the exhibit of HMS Haida which has lowered its

gangplank for public tours. The Port Authority has also commissioned a modal-shift study (see accompanying story) to determine if the port can become a hub for intralake commerce.

But the biggest changes to come may be the way the port interacts with the trucking and rail industries under Short Sea. "We've got excellent rail and road links connected to the port," explains Matthews. "We've been beating each other up in the past. I think we all are going to have to re-examine our relationship to each other if we want to improve the way the infrastructure works."

Matthews and Port Authority President & CEO Keith Robson traveled to Europe in March to see how Short Sea is working there. "The Europeans are so far ahead of us with intermodal transportation. We were staggered by the lengths they've gone to in order to make Short Sea work. They're building

smaller, more capable ships and integrating them with road and rail. For instance, one company in Belgium has designed a ship that can actually receive pallet-sized cargo from trucks," explains Matthews.

Canada has to utilize its waterways more efficiently even if governments have to step in and mandate changes

Matthews thinks Canada has to utilize its waterways more efficiently even if governments have to step in and mandate changes. "All transportation sectors are looking for a level playing field in order for Short Sea to work. From our standpoint, we'd like to see a halt to the indirect subsidizing of trucking and rail transport. As well, I don't think the industry is looking for subsidies so much as they're looking for the removal of roadblocks and red tape.

Gallagher addresses local business leaders

BURLINGTON — Michael Gallagher, Minister-Counselor of Economic Affairs spoke to approximately 400 local business leaders on Sept. 25 at the Burlington Convention Centre at a luncheon hosted by Mayor Robert MacIsaac.

This luncheon was initially planned for an address by the U.S. Ambassador, Paul Cellucci. Ambassador Cellucci had to postpone his visit to Burlington due to a serious illness in his family – and expects to make it back to Burlington in February.

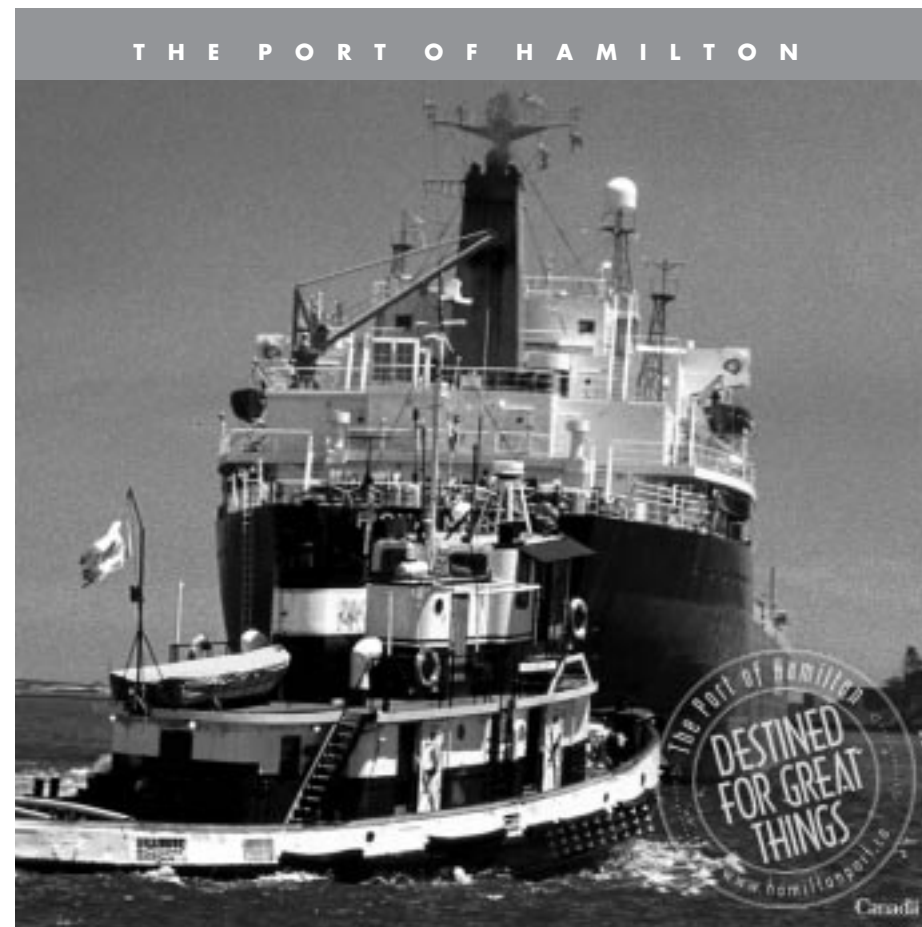
Although Ambassador Cellucci could not deliver the address personally, Michael Gallagher provided the audience with insight regarding Canadian/American relationships.

Michael Gallagher has been a member of the American diplomatic service since 1973. He is currently posted to the United States Embassy in Ottawa where he heads a staff of twelve professionals that manage all economic, trade & environmental issues between the United States and Canada.

Canada has no other relationship that affects the lives and well being of the average Canadian more than its ties with the United States.



PINCH-HITTER: Michael Gallagher stood in for U.S. Ambassador to Canada Paul Cellucci who had returned to the U.S. due to an illness in his family. Gallagher is currently posted to the United States Embassy in Ottawa where he heads a staff of twelve professionals that manage all economic, trade & environment issues between the United States and Canada.



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Short Sea working now for Montreal shipping company

One shipping company is already proving that Short Sea style of operation can work successfully in Canada. Montreal-based Oceanex provides a wide range of intermodal services to Newfoundland from anywhere in North America. The company owns and operates a fleet of three modern ice-class container ships, a truck fleet and three leading edge port facilities.

The three container ships, which operate on a year-round basis, offer safe passage to Newfoundland for any number of consumer and industrial products, including containers, trucks, trailers, automobiles, and standard and dimensional machinery. Oceanex sails two ships a week to Newfoundland

from Montreal and one ship a week from Halifax. The ships feature state-of-the-art tracking systems and are loaded and unloaded using high tech cranes and mobile lifting vehicles.

According to Oceanex, the company made alliances ten years ago with the trucking industry, working with it rather than against it because competing in their particular market made no business sense.

As a result, Oceanex is both competitive and profitable. In the words the company's vice-president of marketing and sales, Stephen Snow, "We have positioned the people of Newfoundland and Labrador to be serviced as well with their commercial and

industrial goods as someone in the interior of Canada. For instance, if you buy a new automobile in St. Johns and it's not on the dealer's lot, you will likely get it as quickly as a consumer would in Toronto."

Snow says his company fully supports the federal initiative for Short Sea but only because there's a level playing field. "For instance, we are the only private marine link to Newfoundland but every trailer that we don't carry today is currently subsidized by Ottawa, explains Snow. "Marine Atlantic receives a \$35 million a year subsidy to maintain what is a constitutional commitment to provide marine service to Newfoundland. They operate three ferries that

primarily carry passengers but they do carry conventional highway drop trailers. We've decided not to subsidize this business ourselves simply to take market share."

Snow is also concerned about the high cost of equipment for Short Sea operators in the Ontario market. "The biggest operating costs are your shipping assets. Canadian ship builders are technically capable but cannot compete with other countries on price. This forces Canadian shippers to purchase from foreign sources. In spite of this, the Federal Government levies a 25 percent duty if you bring vessels in from Europe or the East. This clearly has to change if Short Sea is to be viable."

Short Sea has Canada-U.S. Federal Support

"Regarding Short Sea Shipping, (Canada and the United States) intend to collaborate and cooperate which each other in sharing knowledge and information on Short Sea Shipping technology, to support research and development efforts of mutual benefit through exchange of information and experience (and) to aid each other's efforts to promote the concept of Short Sea Shipping when opportunities arise."

Memorandum of Cooperation between the Department of Transport of Canada and the Department of Transportation of the United States of America (July 16, 2003)

Canadian Trucking industry cautious about Short Sea prospects

The Canadian Trucking Alliance which represents all provincial trucking associations across Canada thinks Short Sea will become a reality in some form if the marketplace demands it.

Stephen Laskowski, a spokesperson for the Alliance, says, "If it turns out that there are future opportunities for intermodal movement between air land or water transportation, so be it — the market will determine that."

Laskowski says that to a lesser extent, there has been more co-operation and movement, particularly between truck and air and truck and rail but he cautions that when it comes to co-operation between Short Sea and the trucking industry, "there is going to be a more difficult business case for that."

He points to the importance of the trucking industry in Ontario: In terms of the total value of goods, trucks move about 70 percent of it moving both ways between Ontario and the United States. "We are the mode of choice in the shipping business for various reasons," Laskowski says.

"As for congestion on the roads or at bridges, it's always been our position that the Government should take care of our industry because trucking is at the heart of the economy," adds Laskowski.

Travel industry improving according to CAA Travel Show

BY BRIAN PRICE
The Business Executive

THOROLD — Since the terrorist attacks on America two years ago, many snowbirds banked travel money rather than fly to sunny climes.

But, that behaviour seems to be changing with bank accounts that grew fat with travel funds now being used to arrange winter vacation plans.

"We've faced some real challenges in the last couple of years and the US economy has not been the best," says John Sherwin, manager of Marketing and Public Relations for CAA Travel in Niagara. "So it's encouraging to see people travelling again."

At a recent event here, a total of 650 potential travellers browsed booths and spoke with representatives from 25 different travel firms at the CAA's 7th annual Niagara Travel Show Sept. 14. Comments from all were positive, reports Sherwin, who feels the flying fear is much reduced.

"Quite a few people who had put off their travel plans and were not booking are now ready to book because they've saved up their money and are going to travel now."

Add to that the fact this winter could be harsher than normal and its possible recovery within the Canadian travel industry could take a major upswing this season. According to Sherwin, severe winters in the Niagara region have always sent more to southern destinations, most justified up with the cold.

The CAA Niagara Travel Show allowed clients and representatives to meet with each other face to face, discussing concerns and mapping out potential travel plans as the temperature outside begins to drop.

"People are actually booking and more

are travelling now." While revenue generated by agents at the show is not tracked, Sherwin says the fact reps are returning each year indicates it is profitable to be a part.

Fees for booths at the two-hour presentation at Four Points Suites Sheraton in Thorold were between \$350 and \$450, an amount companies don't find prohibitive. A nominal fee was charged for visitors depending upon their status as CAA members or non-members.

The event was to showcase travel opportunities available through CAA's travel suppliers, including Air Transat Holidays, Niagara Convention and Visitors Bureau, Busch Gardens/Sea World and numerous others. While past shows have boasted as many as 1,000 visitors and more, this year's figure is definitely an upward trend.

Of note, too, is the fact business travellers in Canada, also in the wake of 9/11, have found other ways to speak to each other, namely through such means as teleconferencing. "They've been cutting back somewhat on flying to meetings," says Sherwin of business people who flew to meetings in the past. "And, realize that teleconferencing works out just fine."

Sherwin also said some companies, with the success of teleconferencing, may not go back to as many face-to-face meetings again. CAA Niagara, with five offices and 22 agents here, is the largest travel agency in the Niagara region. Their clients are primarily the leisure travellers.

"We find that couples who may have put off that special trip have now decided things have settled down and are willing to travel again. Things are definitely looking up in the travel industry. While there was a downturn earlier in the year the travel show was a catalyst to travel again." TBE

Haul comparison

- One 15-barge tow carries the same amount of goods as 225 rail cars or 900 trucks.
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Source: The U.S. Maritime Administration

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Source: Transport Canada

Trucking Activity

Three-quarters of all truck travel takes place during daylight hours. About 45 percent of all this activity takes place in the afternoon between noon and 8:00 pm. Not surprisingly, the least heavily-used time period is from midnight to 6:00 am. Heavy trucks make up almost 20 percent of total activity during this period. In 2000, nearly 14 percent of heavy truck vehicle kilometres involved pulling an empty trailer.

Source: Transport Canada