

**BELLEDUNE PORT AUTHORITY AND
ARGENTIA PORT CORPORATION INC.**

REQUEST FOR EXPRESSION OF INTEREST

Cargo Vessel Service operating between the Ports of Belledune and Argentia

Background Information Brief

This Background Information Brief provides additional information which may be helpful to proponents in their response to the Request for Expression of Interest for a cargo vessel service operating between the ports of Belledune, New Brunswick and Argentia, Newfoundland and Labrador.

1.0 The Ports of Belledune and Argentia

The Port of Belledune

The Port of Belledune, managed by the Belledune Port Authority (BPA), is located in northern New Brunswick on the Bay of Chaleur. It is a deep water, year round port capable of docking and handling large ocean bound cargo vessels. It offers some of the shortest routes between strategic ports in Europe and a key inter-modal exchange point in North America. The Port has four major dock facilities:

Terminals 1 and 2 - used for the handling of bulk cargoes such as petroleum products, coal and pet coke, ore concentrates;

Terminal 3 - used for the handling of general and dry bulk cargoes, including synthetic gypsum, forest products, windmill components and mobile homes;

Ro Ro Barge Terminal, which has been recently completed, with a 27 metre (89 feet) wide ramp with 6.1 hectares (15 acres) of laydown area plus 3 hectares (7.4 acres) of parking area. See picture below.

Port of Belledune Ro Ro Barge Terminal



In addition, BPA owns and leases a liquid bulk tank farm (7 tanks with 45 million litre capacity) for storage of various petroleum products, and is in the process of constructing a Modular Component Fabrication Facility (12 000 m²) which is expected to be used for the fabrication, assembly and shipment of large modular units for construction projects. For more information please see the Port's website at www.portofbelledune.ca.

The Port of Argentia

The Port of Argentia is located on the east side of Placentia Bay on the south east coast of Newfoundland. The harbour is entered between Low Room Point and Broad Cove Point and extends 3 kilometers in length southwest to the head of Sandy Cove. Argentia is located in the centre of the world's major shipping lanes with an excellent ice-free port, extensive buildings and infrastructure, and a skilled, work force.

The Argentia Management Authority Inc. (AMA) is a non-profit corporation, incorporated in 1995, which manages the Port of Argentia. The Argentia Port Corporation (APC) is a wholly owned subsidiary of the AMA and manages the Port of Argentia. The Port is a gateway to both sides of the Atlantic being strategically located between major markets and accessible to international shipping lanes. Argentia is approximately 137 kilometers from St. John's, on the Avalon Peninsula, which is the most important destination for cargo and consumer goods imported into the Province. Approximately 70% of all goods shipped to Newfoundland are destined for the Avalon Peninsula. The port is deep, ice free and open year round with 1,460 hectares of developed harbor front property.

Overview of the Port of Argentia



Argentia has three wharf complexes that can be utilized by shippers:

- Navy Dock
- Marine Atlantic Terminal
- Fleet Dock

On March 23, 2011 the Federal Government announced funding for a new Ro Ro Ramp at the Port of Argentia. The Port of Argentia is therefore in the final planning stages for the construction of a new Ro Ro Ramp. Argentia also has 46,452 sq. metres (500,000 ft²) of building space in a fully services industrial park and offers turnkey facilities to potential investors. Opportunities for the Port of Argentia include oil and gas development, mining and manufacturing.

For more information on the Port of Argentia see the Port's web site at www.argentia.ca.

2.0 *Current Service Providers*

There are two vessel operators that service the Province of Newfoundland and Labrador from mainland Canada:

- Marine Atlantic Inc., and
- Oceanex (1997) Inc.

Marine Atlantic Inc.

Marine Atlantic Inc.(MAI) has a year round operation from North Sydney, N.S. to Port aux Basques and a seasonal (June – September) service from North Sydney to Argentina.

The Marine Atlantic service requires a shipper from Ontario, Quebec or New Brunswick to truck their freight to North Sydney in order to supply goods to the Newfoundland market. If the truck misses the scheduled departure of the vessel from North Sydney, it has to wait to catch the next ferry to the Island. A Study released in March 2005 – “*A Strategy for the Future of Marine Atlantic Inc.*” – outlined many concerns from the stakeholders of the service, including poor on - time performance, escalating operating costs and unpredictable rate increases for users. The Advisory Committee made a number of recommendations to improve Marine Atlantic’s situation.

One of those recommendations was to eliminate so-called drop trailer service, to save labour costs, improve efficiency and speed up vessel turnaround time. A subsequent study, “*Social and Economic Impact of Marine Atlantic Drop Trailer Service, November 2005*” undertaken by MariNova Consulting and Geoplan Opus concluded there would be a significant amount of economic dislocation caused by this initiative and it was dropped. Not addressed by either study was the *best* way to serve drop trailer customers, as this could involve a different solution altogether.

Truckers have predicted that, with almost 90% of perishable goods being transported to Newfoundland and Labrador by MAI’s ferry service, consumers on the Island will be paying higher prices for these goods.

MAI’s vessels carried over 96,000 commercial vehicles in 2009/10. By using 2001 as a base year, MAI has increased its commercial vehicle traffic by 22.5 % (average of 2.8 % per year) for the eight year period, 2001 – 2009/10 as shown below:

2009/10	96,694 units
2008	92,612
2007	18,447 (changed year end to Mar. 31 st)
2006	88,066
2005	86,605
2004	85,769
2003	81,169
2002	79,092
2001	78,963

It is obvious from the actual statistics that commercial traffic destined for Newfoundland and Labrador from Atlantic and Central Canada is continuing to increase on an annual basis.

Oceanex (1997) Inc.

Oceanex has two regular, year round services calling Newfoundland:

- Montreal to St. John's
- Halifax to St. John's and continuing on to Corner Brook

Oceanex carries primarily domestic containers, trailers, International cargo and autos. Both services carry trailers and containers, although the company's newest vessel, *Avalon*, which calls at St. John's only, carries 20', 40' and 53' containers.

Currently, Oceanex uses three vessels on its services: the *Oceanex Avalon* (Montreal – St. John's) with a capacity of 1,004 TEUs, the *Sanderling* (Halifax – St' John's – Corner Brook), with a capacity of 1,125 TEUs, and the *Cabot* (Montreal – St. John's) with a capacity of 644 TEUs.

Based on confidential studies undertaken by the two Ports, it appears that traffic (in TEUs) has grown fairly steadily over the years.

The year 2006 marked the first full year of the new vessel *Oceanex Avalon* which added 50% more capacity on the Montreal – Newfoundland service.

Since Oceanex is a privately owned corporation, details of cargo volumes are not publicly available.

Duty on Imported Ships

The regulation requiring a 25% import duty on imported ships to be used in Canadian waters has been removed by the Federal Government. This duty was a significant cost factor which previously had to be absorbed by a ship owner bringing in foreign vessels for the Canadian trade, and it would have applied to vessels in service between the Ports of Belledune and Argentia.

The removal of the import duty has made investments in foreign ships to be used in the Canadian trade significantly more palatable for vessel operators. The elimination of this financial impediment to investments in shipping infrastructure will make the proposed Belledune – Argentia cargo service more competitive in the future.

3.0 General Guidelines

The proposed transportation connection linking the Port of Belledune with the Port of Argentia would provide for a competitive option to service Newfoundland, and particularly the Avalon Peninsula, with drop trailers from New Brunswick, Quebec and Ontario. The Belledune Port Authority and Argentia Port Corporation are eager to move forward with the cargo service. The new Ro Ro facilities at both ports will provide the port infrastructure required to efficiently service ro ro vessels calling at both ports on a regular basis. The Ports are eager to discuss with interested vessel owners and operators the potential for new future business in the region. The objective of the Ports is to have a regular, year round service calling both ports twice weekly using two vessels in the service.

Information to be Provided by the Respondent

It is proposed that interested parties provide the following general information in their reply to the Expression of Interest:

- General information and shipping experience of the company
- Rationale for having an interest in the Belledune – Argentia potential service
- Financial capacity to start up and provide regular service
- Capacity of the company to develop and market the business
- The names of principal officers of the company
- The name and telephone/e-mail numbers of the person to contact with respect to this Expression of Interest

Any additional information which would assist the Ports in their review of the replies from the respondent

Replies to the Request for Expression of Interest should be mailed, delivered or e-mailed on or before 3:00 p.m. Atlantic time, Friday May 13th, 2011, to Jenna Doucet (see contact information below).

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Following a review by the Ports, a decision will be made respecting any respondents to be selected for the submission of a formal proposal. For further information on this Request for Expression of Interest please contact David Bellefontaine, Consultant, Bellefontaine Consulting Services, at 902-850-2248 or by e-mail at dbellef@eastlink.ca.