

Short Sea Shipping in Canada: Lessons Learned and Research Model for the Development of New Services

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- Lessons Learned: Conditions for Success of SSS
- Research Model for Development of SSS
- Business Planning Model for SSS Development

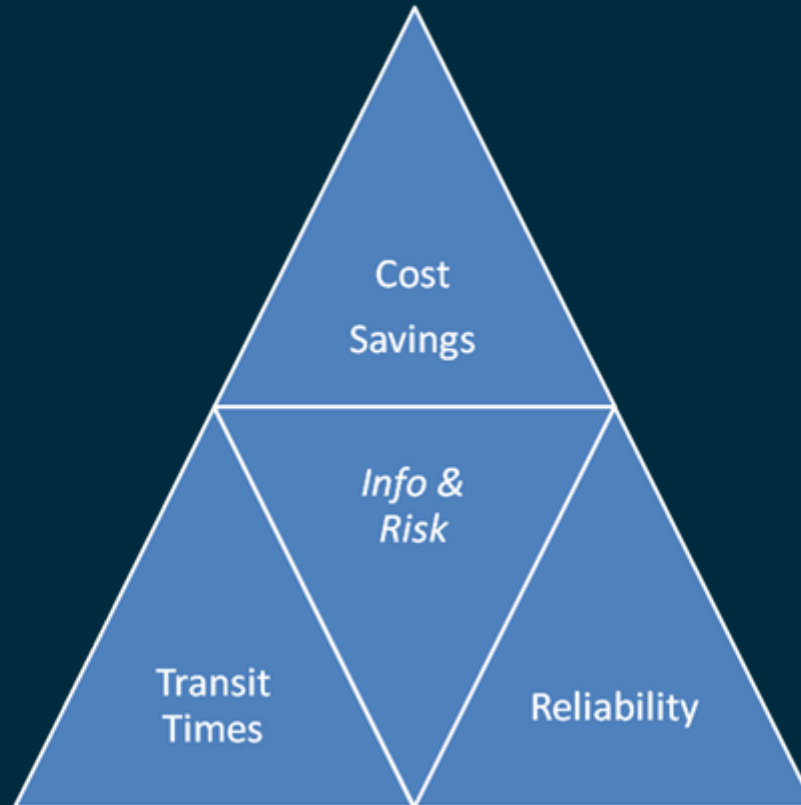


Lessons Learned: Conditions for Success of SSS

- SSS requires collaboration of shippers, SSS operators, ports and others stakeholders
- Relationships to be cemented by mutual interests (e.g. financial or strategic gain)



- SSS service must demonstrate value proposition vis-à-vis alternatives



- Capture sufficient traffic from which revenues can be generated to cover capital and operating costs associated with the service (and to make a small profit)

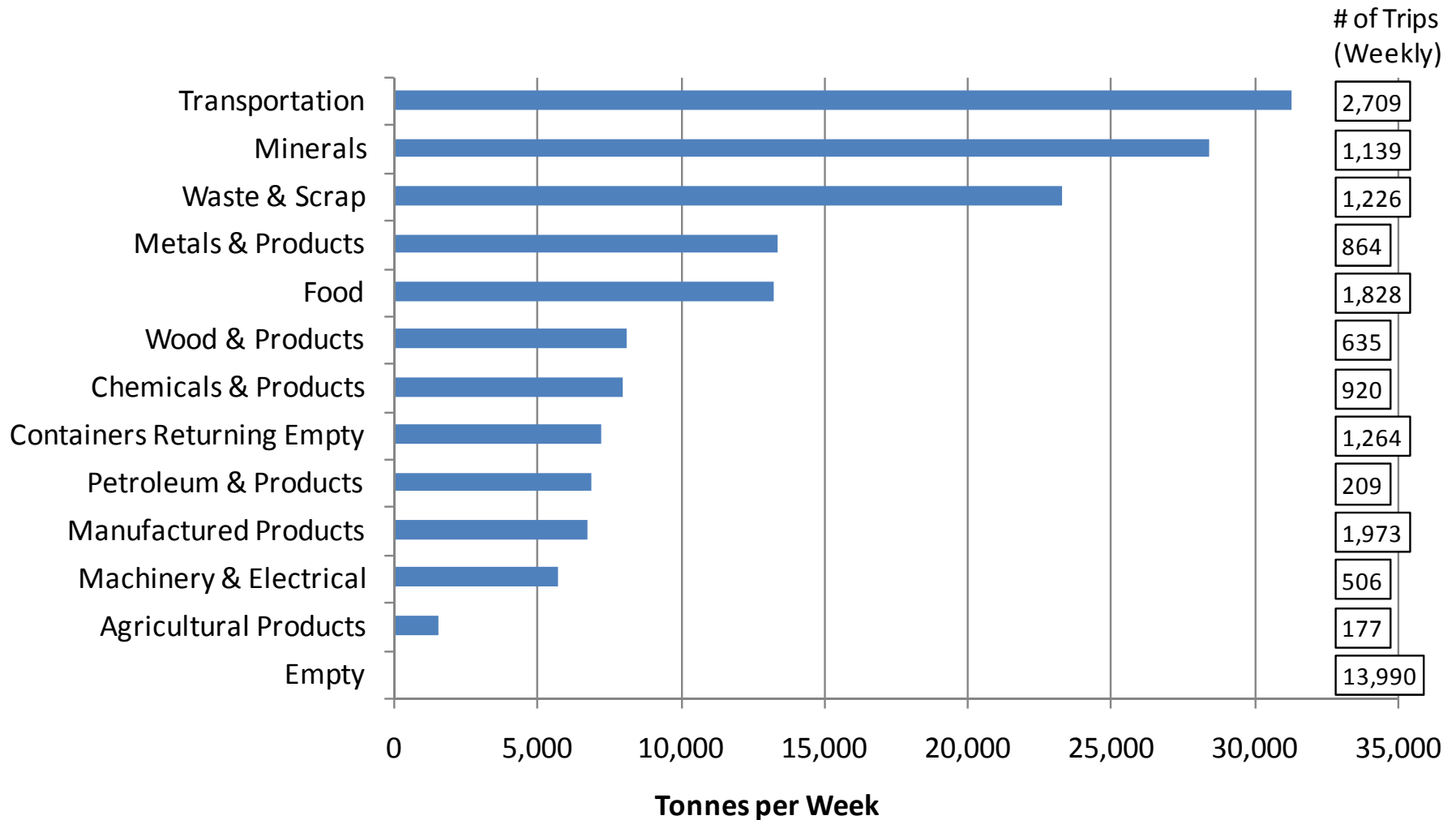


- Increase total traffic volumes and related revenues
- Access infrastructure funding, where business case can be demonstrated

- Who takes on risks associated with new SSS services???
 - **Shippers:** Reluctance to commit traffic to unproven service (service/reliability risk)
 - **SSS operators:** Reluctance to develop new service for unproven market (traffic/revenue risk)
 - **Ports:** Reluctance to invest in infrastructure and marketing unless service feasibility clear (service & traffic risk (financial risk))

- CPCS Research Model to identify potential opportunities for SSS (and to identify what are **not** opportunities)
- Business Planning Model to identify steps to capitalize on identified opportunities
- Models intended to quickly and cost-effectively identify if opportunities are worth pursuing further, and how (if an opportunity exists)

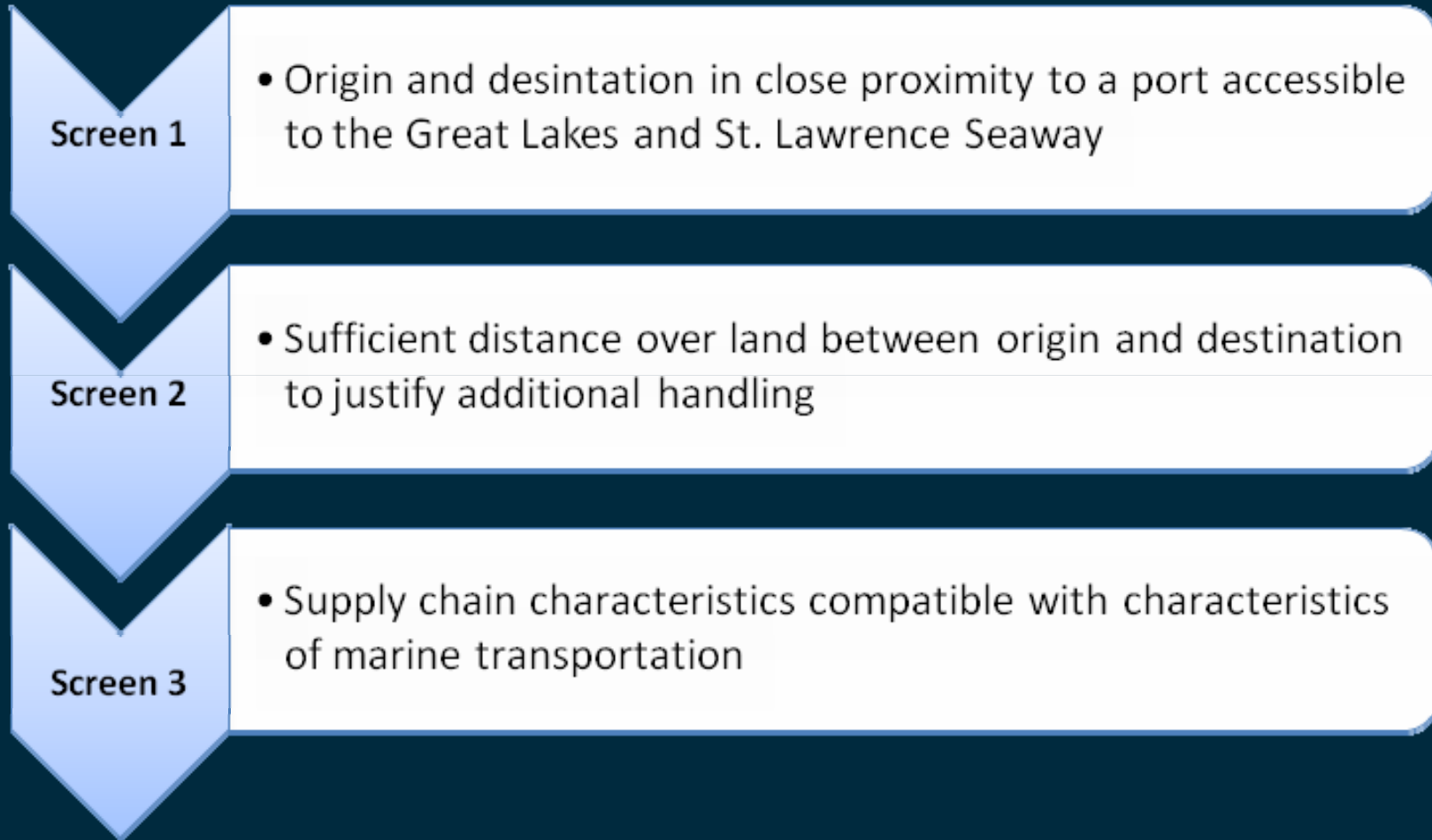
- Three phases of research and analysis:
 1. Identify universe of goods flows to/from and through a region (by commodity, origin/destination)
 2. Apply screens to identify goods flows showing most potential for SSS
 3. Assess potential competitive position of SSS relative to other modes for these goods movements



Source: CPCS analysis of data from the Commercial Vehicle Survey (CVS), Ministry of Transport of Ontario (MTO).



Phase 2: Initial Screening

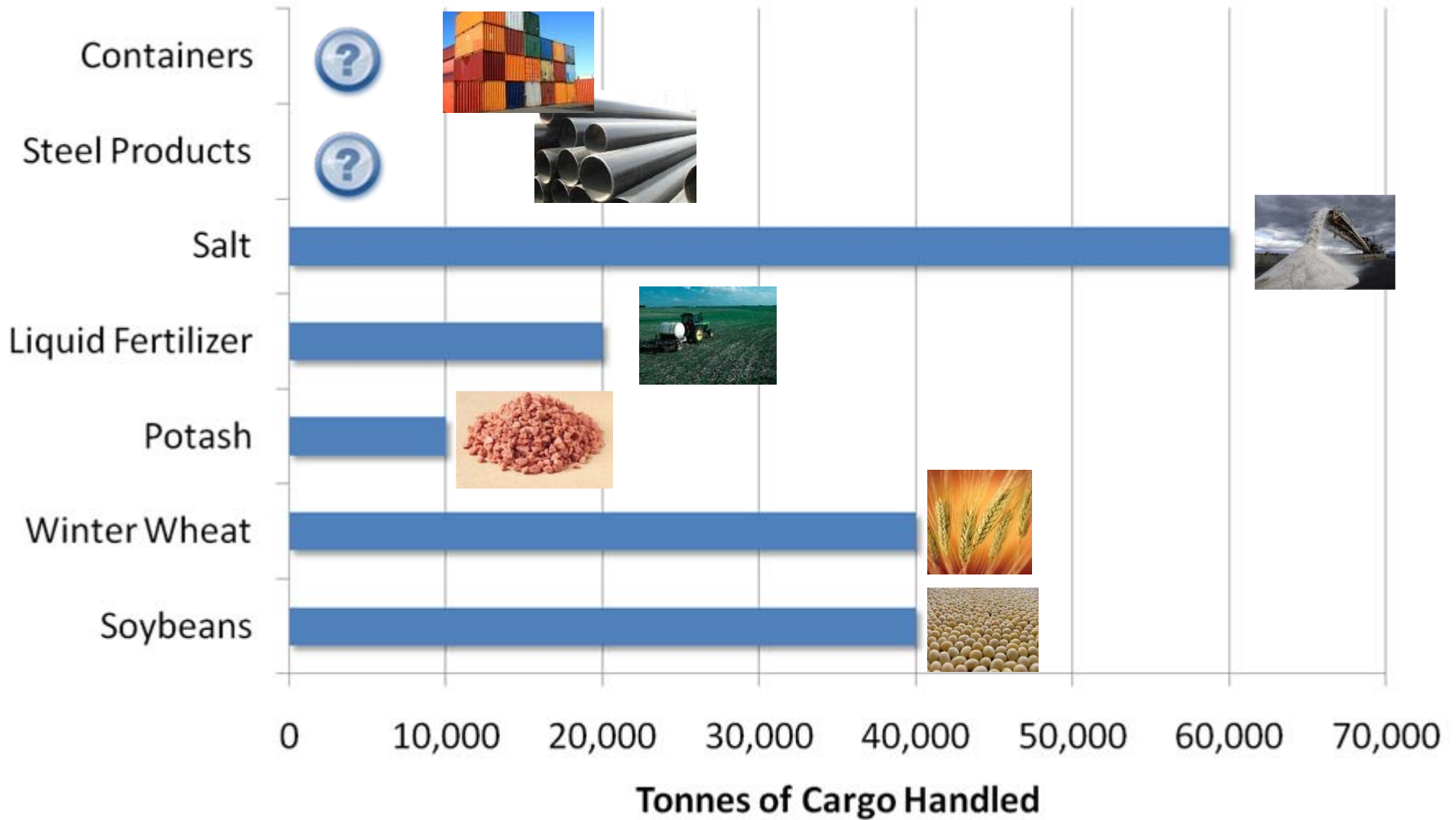


- **Competitive landscape:** are prevailing market conditions, competition and structure conducive to use of marine transportation?
- **Cost competitiveness:** can shippers realize a cost savings from using SSS (need for comparative analysis of total transportation costs using SSS vs. truck and/or rail)?
- **Operational and infrastructure requirements:** what is required by way of infrastructure and operations to support these flows by SSS?

High Level Output from Research Model Analysis

Commodity	Competitive Landscape	Cost Competitive-ness	Infrastructure and Operational Requirements
Grain	Very Good	Good	Low to High depending on selected option
Road Salt	Good	Good	Low
Fertilizer	Average	Good	Low for dry, Medium for liquid
Petroleum Products	Not Good	Not Good	Medium
ICI Waste	Not Good	Not Good	Very High
Scrap metal	Not Good	Not Good	High land requirements
Metal Products	Average	Good	Potentially more land requirements
Containerized products	Good	Below average	Low





- Business Plan ends:
 - To set out strategies and plans to capitalize on identified opportunities to increase marine traffic via a particular port or set of ports
 - To outline related infrastructure, operating and marketing needs to support the strategy and plans
 - To attract investment in the port(s) in question to support identified opportunities



- Market driven. Capitalize on opportunities to increase the value of transportation to, from and through a particular region, for shippers, where there is potential to do so.
- Commercially oriented, rather than requiring ongoing financial support.
- Initial investments in infrastructure and capital may require government funding, where such funding is justified by long term economic benefits.
- Investment plans will seek to limit risk (not a “build it and they will come” model).
- Implementation driven by benefiting port(s) in collaboration with regional municipality(ies).
- Operating plans are to be supported by regional stakeholders.

- Research and Business Planning Models to highlight opportunity for mutual interests (for shippers, operator(s), port(s))
- These stakeholders must then come together to realize value identified
- Pilot projects, where opportunities identified, could go some way in advancing development of new SSS where perceptual or structural barriers exist



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