



# Marine Outlook

Highlights of the Marine Industry

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## PORTS IN QUEBEC

### Quebec

#### A record breaking year

Tonnage handled at the Port of Québec totalled 27.2 Mt in 2008, or a 2 % increase in comparison to last year. This is a new record for tonnage transiting through the port. Since 2000, the Port of Québec has recorded an annual increase on the order of 7 %.<sup>1</sup>

Ore and concentrate tonnages, notably iron, as well as a substantial number of commodities supplying the metallurgy, transportation, construction and agri-food industries explain the exceptional growth of tonnage handled at the port in 2008.<sup>2</sup>

Furthermore, the slowdown of international trade flows should lead to a decrease in

activities at the Port of Québec in 2009, and this in the opinion of the port authority. Knowing that the port trades with some sixty countries, the current global recession could impact tonnage handled at the port.<sup>3</sup>

The port also achieved a new record in welcoming over 112,000 passengers and crew members, or a 24 % increase in comparison to 2007. Moreover, the port welcomed a record number of passengers who made Québec their cruise departure and arrival point, or 17,700 of a total 82,000 cruise passengers. In its annual statement of accounts, the Québec Port Authority notes that there are signs that seem to point to a slowdown in the global cruise ship industry. The 2009 international cruise ship season on the St. Lawrence could feel the impact of the world recession.<sup>4</sup>

### Montreal

#### Another record year for the Port of Montreal

The Port of Montreal experienced another record year in 2008, thus surpassing the growth of 10 major container ports in North America. The total port traffic recorded a record tonnage of 27 Mt, a 4 % increase in comparison to last year. Containerized goods traffic totalled approximately 1,460,500 TEU (twenty-foot equivalent unit) containers, or a 7.2 % increase compared to 2007. This is an exceptional result despite the economic slowdown during the last two months of 2008.<sup>5</sup>

<sup>1</sup> Quebec Port Authority.

<sup>2</sup> "2008: L'année de tous les records pour le port de Québec", Press release, Quebec Port Authority, January 5, 2009.

<sup>3</sup> Ibid

<sup>4</sup> Ibid

<sup>5</sup> Montreal Port Authority.



According to the Montreal Port Authority, the 5 to 7 % slowdown in port traffic in November and December is a sign of difficult times ahead. In 2009, a 3.7 % decrease in containerized goods is expected by authorities due to the economic recession. The port also fears that difficulties experienced in the automobile industry are impacting dry bulk cargo performance by slowing down iron ore imports.<sup>6</sup>

Furthermore, the port authority hopes that the government will move forward with its plan to invest 2.1 billion dollars in continental and Atlantic gateways, and mainly for the St. Lawrence and Great Lake corridors. In addition to creating employment opportunities, this project would contribute to the country's economic re-launch and prosperity during this recession period.<sup>7</sup>

In the scope of the Québec-New York Economic Summit, the president and chief executive officer of the Port of Montreal recalled that the port maximizes the use of the least polluting transportation methods, either ships or trains. Moreover, on an ecological level, several measures have already been taken or are being developed. For example, we should cite the restoration of the fish spawning ground and waterfowl habitat in the Boucherville Islands which are part of the port, the replacement of old train engines with much less energy-consuming and quieter multi-generator engines, limiting lighting in the port at night and limiting ship speeds in the St. Lawrence channel in order to protect shores.<sup>8</sup>

## Sept-Îles

### Increase in handled tonnage

In 2008, Port of Sept-Îles activities generated transshipments of 22.63 Mt, or 6 % more than in 2007. Maritime traffic in Sept-Îles increased in

<sup>6</sup> "Le port de Montréal prévoit de bons résultats en 2009", The Canadian Press, January 6, 2009.

<sup>7</sup> "Après une année 2008 exceptionnelle, le port de Montréal est prêt pour affronter la récession mondiale", Press release, Montreal Port Authority, January 5, 2009.

<sup>8</sup> "Le port de Montréal, porte d'entrée essentielle vers le marché du Midwest et de Chicago", Press release, Montreal Port Authority, November 17, 2008.

2008: 578 ships berthed at the port, ten or so more than the previous year.<sup>9</sup>

Volume at the La Relance terminal totalled 2.2 Mt in 2008. This is an increase for the fourth consecutive year. Aluminum expeditions from this terminal have remained stable at approximately 500,000 t, which represents approximately 90 % of the total production from the Alouette aluminum smelter in Sept-Îles.<sup>10</sup>

The port diversified its activities in 2008 with the opening of its railway transshipment centre which was able to welcome the *Georges-Alexandre-Lebel* train ferry for the first time. The ship transported more than 30,000 t of commodities from Sept-Îles to Matane and from there, onto North American railway networks. The port expects a growth in the train ferry use in upcoming years, due to numerous mining projects on the North Shore and in Northern Québec. It should be mentioned that if all these projects were to come to fruition, nearly 34 Mt of ore would be added to the 22 Mt of tonnage handled annually at the Port of Sept-Îles.<sup>11</sup>

## Port-Cartier

### Drop in handled tonnage

In 2008, tonnage handled at Port-Cartier totalled 16 Mt, or 20 % fewer than in 2007. Concentrate and iron pellet expeditions decreased by 17 % and 20 % respectively. Grain product tonnages also experienced a 28 % decline in comparison to the previous year. The port welcomed 421 ships in 2008, or some one hundred fewer than in 2007.<sup>12</sup>

<sup>9</sup> Paradis, Steeve, "Le port de Sept-Îles très actif en 2008", Le Soleil, January 17, 2009; Gougeon, Jean-Guy, "Hausse du tonnage en 2009 - Sept-Îles mise sur le traversier-rail", Le Journal de Québec, January 18, 2009.

<sup>10</sup> Ibid

<sup>11</sup> Gougeon, Jean-Guy, "Hausse du tonnage en 2009 - Sept-Îles mise sur le traversier-rail", Le Journal de Québec, January 18, 2009; Gougeon, Jean-Guy, "Port de Sept-Îles - Injection de centaines de millions de dollars à l'horizon", Le Journal de Québec, November 22, 2008.

<sup>12</sup> Côté, Caroline, "Québec Cartier accueille son premier navire de l'année - Le capitaine du *MV Alam Permai* reçoit la canne à pommeau d'acier", Le Nord-Côtier, January 18, 2009.

## Sorel-Tracy

### Increase in handled tonnage

Tonnage handled at the Port of Sorel-Tracy totalled 6.5 Mt in 2008, or a 28 % increase in comparison to the previous year. The increase of ilmenite (iron ore and titanium) originating from Havre-Saint-Pierre largely explains this increase in tonnage handled in Sorel-Tracy. In 2008, 301 ships transited through the port, or twenty or so more than in 2007.<sup>13</sup>

## Baie-Comeau

### Drop in handled tonnage

In 2008, tonnage handled at the Port of Baie-Comeau totalled 5.6 Mt, or 7 % fewer than in 2007. The drop in grain and cereal, coal and various commodity transshipments explains this decline in handled tonnage in 2007. The port welcomed 266 ships, twenty or so fewer than last year.<sup>14</sup>

Approximately 527,000 t of commodities must be added to this tonnage which transited through the Port of Baie-Comeau via the *Georges-Alexandre-Lebel*, which represents a 15 % drop in comparison to the previous year. Following the 2007 example, transportation of wood products experienced a significant drop over the last year. The ferry train made 320 round trips, or approximately forty fewer than last year. It should be recalled that between Baie-Comeau and Matane, the number of trips dropped notably due to the closure of several forest industry SMEs. Between 2004 and 2008, the number of trips has not stopped decreasing, going from 468 to 320, a 32 % decrease.<sup>15</sup>

In mid December, the AbitibiBowater Company announced that it was temporarily ceasing operations at its newspaper plant in Baie-Comeau, and this, until mid January. The company blamed a decrease in its order books

<sup>13</sup> "Rapport détaillé du tonnage manipulé dans les havres et les ports du Québec", *Transport Canada*, 2007 and 2008.

<sup>14</sup> Ibid

<sup>15</sup> "Rapports des tonnages manutentionnés sur le traversier-rail *Georges-Alexandre-Lebel*", *SOPOR et COGEMA*, 2007 and 2008.

to justify this decision. Note that the paper manufacturer expedites a large majority of its production overseas via the Port of Baie-Comeau.<sup>16</sup>

## Port-Alfred

### Increase in handled tonnage

With a total 5 Mt in 2008, the tonnage handled at Port-Alfred experienced a 7 % increase in comparison to the previous year. Dry bulk cargo tonnage experienced an 8 % increase which is mainly explained by an increase in transshipments of bauxite, alumina and green coke. As for liquid cargo tonnage, it experienced a 2 % drop due to the decrease of sodium hydroxide transshipments which was more significant than the increase in fuel oil tonnage. Over the last year, 139 ships transited through the port, five more than in 2007.<sup>17</sup>

## Havre-Saint-Pierre

### Increase in handled tonnage

In 2008, the tonnage handled at the Port of Havre-Saint-Pierre totalled 3.5 Mt, a 72 % increase in comparison to 2007. It should be recalled that the majority of transshipments in Havre-Saint-Pierre are composed of ilmenite ore. Approximately 210 ships berthed at Havre-Saint-Pierre port facilities.<sup>18</sup>

The global recession being a reality, the *QIT Fer et Titane* mining company in Havre-Saint-Pierre expects an 11 % production decrease for 2009. This drop will affect production by going from 7.5 to 6.7 Mt. The mining company also expects a massive layoff for two weeks in July 2009. During this forced leave, the company will keep activities operational in three sectors: railway maintenance, essential services and, possibly, ore expeditions by ship.<sup>19</sup>

<sup>16</sup> Paradis, Steeve, "Fermeture temporaire d'AbitibiBowater à Baie-Comeau", *Le Soleil*, December 17, 2008.

<sup>17</sup> Port-Alfred Port Authority.

<sup>18</sup> Havre-Saint-Pierre development and management corporation.

<sup>19</sup> Lévesque, Fanny, "QIT Fer et Titane - Réduction de production pour 2009", *Journal Le Nord-Côtier*, December 17, 2008.

## Trois-Rivières

### Increase in handled tonnage

Tonnage handled at the Port of Trois-Rivières totalled 2.6 Mt in 2008, or 4 % more than the previous year. The number of ships transiting through the port dropped to a total of 303 ships, twelve or so fewer than in 2007.<sup>20</sup>

Dry bulk cargo tonnage totalled 1.9 Mt, or a 22 % increase in comparison to the previous year due to the 86 % growth in the sector of grains and cereals. As for liquid cargo, it totalled 418,000 t, or a 20 % drop explained by difficulties in the pulp and paper industry and for which a significant portion of liquid input passes through Trois-Rivières. General commodities also decreased a third to total 313,000 t. This drop is mainly due to the fact that a significant portion of aluminum from the Alouette Company in Sept-Îles was expedited by barge directly to the Great Lakes rather than transiting through Trois-Rivières.<sup>21</sup>

## Bécancour

### Increase in handled tonnage

The volume of commodities handled at the Port of Bécancour totalled 2.1 Mt, or a 3 % increase in comparison to 2007. This growth is mainly due to the strong increase in wind energy parts tonnage. Furthermore, 156 ships in transit dropped anchor at the port in 2008, or some twenty fewer than the previous year.<sup>22</sup>

## Port-Saguenay

### Increase in handled tonnage

Port-Saguenay experienced an increase in its port traffic in 2008 with a total 334,000 t of commodities, or a 16 % increase in comparison to 2007. The last year was marked by paper exports to the port. Three expeditions were

<sup>20</sup> Trois-Rivières Port Authority.

<sup>21</sup> "Le port de Trois-Rivières enregistre une hausse de son trafic à 2,6 millions de tonnes en 2008", Press release, Port of Trois-Rivières, January 9, 2009.

<sup>22</sup> Bécancour Port Authority.

conducted with a total tonnage of 11,000 t. Exportations of similar quantities of paper date back to 1999. Moreover, de-icing salt transshipments doubled in comparison to 2007. Lastly, new commodity traffic began on the Saguenay-St. Lawrence corridor. In fact, large ship modules were transported from Grande-Anse to Québec. As for traffic, 51 ships moored at port facilities, or five fewer than in 2007.<sup>23</sup>

The 2009 international cruise season looks to be excellent. In fact, 14 cruise ships have confirmed their presence, which will mean welcoming 28,000 cruise passengers, or more than double the 11,000 passengers in 2008 who descended during the port visit of eight cruise ships.<sup>24</sup>

Furthermore, the Port-Saguenay Port Authority is actively working on the development of an industrial port-park and on its railway service. It also expects introducing an investment plan for the port in the next decade.<sup>25</sup>

## Valleyfield

### Drop in handled tonnage

In 2008, the Port of Valleyfield handled approximately 319,000 t of commodities, a 26 % drop in comparison to 2007. This decline in tonnage is attributable to a significant 45 % decrease in dry bulk cargo (industrial salt, zinc concentrate, bauxite and stone) 30 % decrease in liquid cargo (chemical products and liquid grade asphalt) and a 90 % drop in general cargo (cargo from northern Québec, metal structures and cacao). Only bulk shipments (steel), which account for very little of the total handled in Valleyfield, experienced a 49 % increase in tonnage. The port welcomed 84 ships in 2008, or six more than in 2007.<sup>26</sup>

<sup>23</sup> Port-Saguenay Port Authority; Lévesque, Laura, "Augmentation des activités de 16 %", Le Quotidien, January 2, 2009.

<sup>24</sup> Port-Saguenay Port Authority; "Les croisières en Minganie, plus qu'un rêve... une réalité", Press release, Association des croisières du Saint-Laurent, September 19, 2008.

<sup>25</sup> Lévesque, Laura, "Augmentation des activités de 16 %", Le Quotidien, January 2, 2009.

<sup>26</sup> Valleyfield Port Authority.

## Matane

### Increase in handled tonnage

In 2008, tonnage handled at the Port of Matane totalled 252,600 t, or 14 % more than the previous year. In fact, the last year was notably marked by increases in pulp and wood chip, fuel and petroleum product transshipments. The port welcomed 44 ships, or six more than in 2007.<sup>27</sup>

Approximately 554,000 t of commodities should be added to this tonnage which transited through the port of Baie-Comeau via the *Georges-Alexandre-Lebel*, this representing a 10 % drop in comparison to the previous year. Following the example of 2007, transportation of wood products experienced a significant drop throughout the last year. The ferry train made 347 round trips (320 between Baie-Comeau and Matane and 27 between Matane and Sept-Îles).<sup>28</sup>

## Rimouski

### Increase in handled tonnage

In 2008, tonnage handled at the Port of Rimouski totalled 249,400 t, or 7 % more than in 2007. The increase in de-icing salt, fuel and petroleum product transshipments explains this increase in tonnage in Rimouski. The port welcomed 78 ships, or seven more than in 2007.<sup>29</sup>

## Gaspé

### Increase in handled tonnage

In 2008, tonnage handled at the Port of Gaspé totalled 192,800 t, or 165 % more than in 2007. This increase is explained by an increase in sand, gravel and de-icing salt tonnages. The

port welcomed 28 ships, one more than the previous season.<sup>30</sup>

The Port of Gaspé could become a traffic exchange point for propane importation. In fact, Gaz propane Rainville in Granby plans to build a terminal there. It should be mentioned that after its arrival in Gaspé by ship, the fuel will be sent by train towards the big cities of North America, which would make it possible to guarantee the survival of the Gaspésie railway section. The ministère de l'Environnement du Québec is currently assessing the project.<sup>31</sup>

## Gros-Cacouna

### Drop in handled tonnage

The Port of Gros-Cacouna experienced a drop in its global traffic in 2008, having handled approximately 170,000 t of tonnage. This represents a 25 % drop in comparison to 2007, due mainly to a decrease in fertilizer, construction lumber and newspaper tonnages. In 2008, 43 ships transited through the port, six fewer than the previous year.<sup>32</sup>

## Pointe-au-Pic

### Drop in handled tonnage

Tonnage handled at the Port of Pointe-au-Pic totalled 94,300 t in 2008, or a 22 % drop in comparison to the previous year. This decline is entirely explained by the drop in newspaper transshipments. At the same time, 18 ships transited through the port in 2008, seven fewer than in 2007.<sup>33</sup>

## Portneuf

There was no tonnage handled in Portneuf in 2008.<sup>34</sup>

<sup>27</sup> "Rapport détaillé du tonnage manipulé dans les havres et les ports du Québec", *Transport Canada*, 2007 and 2008.

<sup>28</sup> "Rapports des tonnages manutentionnés sur le traversier-rail *Georges-Alexandre-Lebel*", *SOPOR et COGEMA*, 2006 and 2007.

<sup>29</sup> "Rapport détaillé du tonnage manipulé dans les havres et les ports du Québec", *Transport Canada*, 2007 and 2008.

<sup>30</sup> Ibid

<sup>31</sup> "Sauver les rails", *Radio-Canada Web site*, December 11, 2008.

<sup>32</sup> "Rapport détaillé du tonnage manipulé dans les havres et les ports du Québec", *Transport Canada*, 2007 and 2008.

<sup>33</sup> Ibid

<sup>34</sup> Ibid

## Chandler

### Increase in handled tonnage

Tonnage handled at the quay of Chandler in 2008 totalled 4,274 t, or 10 % more than in 2007. The increase in various commodity transshipments entirely explains this increase in tonnage. Moreover, seven ships berthed in Chandler in 2008, six more than in 2007.<sup>35</sup>

## 2008 REVIEW

Estimate and comparison of handled tonnages in the major ports of Québec in 2008 and 2007

List of ports	2008 Jan.-Dec.	2007 Jan.-Dec.	Trend <sup>36</sup> 2008/ 2007
1. Quebec	27.2 Mt	26.8 Mt	+ 2 %
2. Montreal	27 Mt	26 Mt	+ 4 %
3. Sept-Îles	22.6 Mt	21.4 Mt	+ 6 %
4. Port-Cartier	16 Mt	20 Mt	- 20 %
5. Sorel-Tracy	6.5 Mt	5.1 Mt	+ 28 %
6. Baie-Comeau <sup>37</sup>	5.6 Mt	6.1 Mt	- 7 %
7. Port-Alfred	5 Mt	4.7 Mt	+ 7 %
8. Havre-Saint-Pierre	3.5 Mt	2.1 Mt	+ 72 %
9 Trois-Rivières	2.6 Mt	2.5 Mt	+ 4 %
10. Bécancour	2.1 Mt	2 Mt	+ 3 %
11. Port-Saguenay	334 kt	288 kt	+ 16 %
12. Valleyfield	319 kt	429 kt	- 26 %
13. Matane <sup>37</sup>	253 kt	223 kt	+ 14 %
14. Rimouski	249 kt	233 kt	+ 7 %
15. Gaspé	193 kt	73 kt	+ 165 %
16. Gros-Cacouna	170 kt	226 kt	- 25 %
17. Pointe-au-Pic	94 kt	121 kt	- 22 %
18. Portneuf	---	5.3 kt	---
19. Chandler	4.3 kt	3.9 kt	+10 %
<b>Total</b>	<b>120 Mt</b>	<b>118 Mt</b>	<b>+ 1 %</b>

Sources: Port Authorities and Transport Canada.

Compilation: DRPE, Fisheries and Oceans Canada, Québec region.

M: millions; k: thousands

<sup>35</sup> "Rapport détaillé du tonnage manipulé dans les havres et les ports du Québec", Transport Canada, 2007 and 2008.

<sup>36</sup> Tonnage trends are calculated from unrounded handled tonnage data.

<sup>37</sup> This data does not include tonnages transiting through the ports of Baie-Comeau and Matane via the *Georges-Alexandre-Label* ferry train.

## MARINE SAFETY

### Canadian Government invests in the safety of internal ferries

At the start of January, Transport Canada announced that the federal government would finance projects aimed at increasing internal ferry safety, and this, in the scope of the Marine Security Contribution Program. Internal ferry operators in Nova Scotia, Québec and British Columbia will receive financial contributions to improve surveillance and safety equipment for quays and the perimeter of port facilities. The program could also finance the acquisition of control and communications equipment, as well as training personnel and studies related to marine safety.<sup>38</sup>

### Implementation of security clearance program in matters of marine transportation

On January 15 of this year, Transport Canada announced that phase II of the Marine Transportation Security Clearance Program had been successfully implemented on December 15, 2008. This program will make it possible to increase marine and port security by demanding port worker background checks. This verification is necessary in order to obtain security accreditation giving access to restricted areas in the port:

- marine facilities where security and surveillance equipment control centres are found;
- zones where central lighting control systems are found;
- zones designated for loading or unloading cargo and ship storerooms in cruise ship maritime terminals;
- land abutting ships moored in maritime terminals reserved for cruise ships.<sup>39</sup>

<sup>38</sup> "Le gouvernement fédéral investit dans la sûreté des traversiers intérieurs", Press release, Transport Canada, January 8, 2009.

<sup>39</sup> "Le gouvernement du Canada met en œuvre le programme d'habilitation de sécurité en matière de transport maritime", Press release, Transport Canada, January 15, 2009.

## SEAWAY

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### End of 50<sup>th</sup> St. Lawrence Seaway season

The St. Lawrence Seaway has been officially closed since December 30. In 2008, the navigation season on the Seaway lasted 280 days, three days fewer than in 2007.<sup>40</sup>

### Drop in tonnage transiting on the Seaway

The volume of commodities transported in 2008 on the Seaway totalled 40.7 Mt. It welcomed 4,267 ships in transit, or a 4 % drop in comparison to the previous season. The drop in tonnage is mainly due to a decline in steel product imports and cereal exports.<sup>41</sup>

In 2008, the St. Lawrence Seaway Management Corporation adopted approved ballast water management standards for all ships. Canadian and American inspectors are henceforth uniting their efforts in order to make certain that no ship be authorized to transit on the Seaway before meeting ballast water management practice requirements.<sup>42</sup>

## GLOBAL MARITIME TRANSPORT

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### The maritime transport industry has slowed down

The “Baltic Dry Index,” an index calculated from 26 major global sea routes, measures the price to be paid to move dry cargo by ship such as coal, ore or metals. After having reached a peak in May of last year, the index lost over 90 % of its value in a few months. In other words, transporting commodities by sea now costs a fraction of what it did a few months ago. Not even one year ago ships were being fought

over; now they are accumulating alongside docks.<sup>43</sup>

We are currently witnessing a reversal of the offer and commercial ship demands. According to the United Nations Conference on business and development, the global ship fleet increased by 7.2 % in 2008. During this time, the demand crumbled, due to the recession affecting all global business. The equation is easy to see: consumers consume less, factories supplying goods are operating at a standstill and the demand for raw materials, which feeds factories, is plummeting.<sup>44</sup>

### Drop in global market for container ships

The economic recession prevailing specifically within OECD countries has had major impacts on the global economy, especially in Asia. Asian order books are being emptied, because China, which represents a significant source of exports for the region, has suffered impacts from the economic recession in first world countries. Furthermore, China is currently experiencing a devastating decline as much in its exports as imports. Given that China represents the largest manufacturing sector on the planet (20 %), it is not surprising that the global manufacturing sector is currently experiencing a strong decline. The asian decline will therefore only increase under the weight of the global business decline.<sup>45</sup>

Following the example of major global financial markets, maritime container transportation has recently entered into a difficult period and the drop in commercial maritime traffic will more than likely persist until next spring. The economy of key markets, such as China and India, are operating very slowly, something which inevitably equals a drop in the traffic of

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<sup>40</sup> “Seaway concludes 50<sup>th</sup> Navigation Season”, [Great Lakes St. Lawrence Seaway System](#), January 6, 2009.

<sup>41</sup> “Seaway Monthly Traffic Results - As of December 31, 2008”, [Great Lakes St. Lawrence Seaway System](#), January 2009.

<sup>42</sup> “Seaway concludes 50<sup>th</sup> Navigation Season”, [Great Lakes St. Lawrence Seaway System](#), January 6, 2009.

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<sup>43</sup> Mercure, Philippe, “Une industrie qui prend l'eau”, [La Presse](#), November 29, 2008.

<sup>44</sup> Ibid

<sup>45</sup> Desnoyers, Yanick, “Croissance mondiale en 2009; un creux de 27 ans”, [Les Affaires](#), December 20, 2008.

containerized goods. And, according to experts, the worst is yet to come.<sup>46</sup>

## MARITIME TRANSPORT IN CANADA

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### Decrease in containerized goods at the Vancouver port

If the Port of Montreal appears to be coming out on top of the economic crisis for the time being, the situation is not so in Vancouver. Mid-year, the total volume of commodities experienced a 5 % drop in comparison to the previous year.

Directly linked to China, the Vancouver port, Canada's largest containerized goods port, is already being impacted by the global economic recession. Under normal circumstances, Canadian raw materials are expedited to China to be processed and return as various consumer goods. However, in the context where North Americans no longer consume or consume very little, imports as well as exports are impacted at the Port of Vancouver. In the opinion of the Vancouver Port Authority, the first quarters of 2009 are at risk if being very difficult for the port.<sup>47</sup>

It should be mentioned that during the last five years, bilateral business exchanges between Canada and China have more than doubled to total 47.5 billion dollars. China has become Canada's second business partner after the United States. Canadian raw materials supply Chinese factories and Chinese consumer goods flow into Canada via container ships, most of which transit through Vancouver ports and also those of Montreal and Halifax, in a smaller amount.<sup>48</sup>

<sup>46</sup> "Effondrement du marché mondial des porte-conteneurs", *Maritime Magazine*, number 50, Fall 2008.

<sup>47</sup> Mercure, Philippe, "Vancouver écope", *La Presse*, November 29, 2008.

<sup>48</sup> Ryan, Léo, "Expansion majeure de l'infrastructure régionale", *Maritime Magazine*, number 50, Fall 2008.

### Increasing Canadian sovereignty in arctic waters

Last December, Transport Canada presented legislation to the Chamber of Commerce to increase Canadian sovereignty in arctic waters while also protecting them against pollution. These measures enter into the scope of the federal government's Northern Strategy. In accordance with these provisions, the Canadian parliament agrees to broaden the *Act to prevent pollution of arctic waters* by redefining the outer limit of "arctic waters" from 100 to 200 nautical miles, and this in order to help protect Canadian waters from pollution coming from ships.<sup>49</sup>

## MARITIME TRANSPORT IN QUÉBEC

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### Night time traffic increases by 48 % on the St. Lawrence

Since December 2007, pilots on the St. Lawrence have been using an innovative electronic navigation system to help guide ships on the St. Lawrence River. The system is composed of laptop computers using approved navigation software for all pilots. The system's main asset is its access to the Coast Guard's MAINFO portal via the Internet which makes it possible to download the most recent operational data. This enables the pilot to be aware of the channel's status, to identify and display shoals present in the waterway, to become aware of navigation notices and also to become aware, in real time, of water levels in various locations along the ship's course.

Thanks to this new navigation system, pilots have proposed new winter navigation regulations which have made it possible to: significantly increase the fluidity of winter transit, decrease ship delays, decrease time spent at ports and make possible winter navigation against the current at night, while also ensuring the same level of safety. Since the system's

<sup>49</sup> "Le Canada agit pour protéger davantage sa souveraineté et ses eaux arctiques contre la pollution", Press release, *Transport Canada*, December 3, 2008.

implementation, departures from Montreal between 18:00 and 07:00 have increased by 48 %.<sup>50</sup>

## ENVIRONMENT

### Noise pollution could harm large marine mammals

Noise pollution caused by cargos navigating the St. Lawrence is a concern for the Group for research and education on marine mammals (GREMM). A recent study the Institut des sciences de la mer de Rimouski (ISMER) reveals that noise produced by maritime circulation could be especially bothersome for marine mammals. By way of recommendations, the study suggests that protected silent zones should be created by moving, when need be, certain water routes.<sup>51</sup>

### The St. Lawrence River's flow under surveillance

In December 2000, the International Joint Commission (IJC) implemented an international study group on Lake Ontario and the St. Lawrence River. Its mission was to review flow regulation criteria for Lake Ontario and the St. Lawrence River. IJC's plan, which aimed at reducing the water level of the great lakes, met with strong opposition from political and environmental circles as much as from the Québec industry.

During a hearing, the IJC concluded that the regulation should be based on a set of revised objectives and criteria, in addition to promoting more natural flows for the benefit of the environment. In order to do this, the IJC wants to create a work group composed of five representatives: Canada, the United States, Québec, Ontario and the State of New York. The group will submit its conclusions in June of 2009. Until then, the current flow regulation

plan, which dates back to 1958, remains in effect.<sup>52</sup>

## COMMODITIES

### Iron ore

#### Drop in Québec production of iron ore in 2009

The global demand for iron ore has decreased following the decline of the steel industry, consequence of the global economic crisis. In this context, it is not surprising to learn that the three North Shore mining companies have announced a drop in their production in 2009.

In 2008, Wabush Mines reduced its production by 400,000 t to total 4.4 Mt of iron ore. This is a more significant reduction than last year, when production totalled 4.6 Mt, or 200,000 t fewer than the 4.8 Mt anticipated at the start of the year. Due to the decline of international demand for iron ore, mining management anticipates that production will total 2.3 Mt in 2009, or 50 % fewer than in 2008.<sup>53</sup>

The IOC mining company announces that its production activities will be stopped in July 2009, for a four-week period. The company's expansion projects will also be reviewed. Furthermore, last fall, it announced the suspension of its investment project in Labrador which aimed at increasing its production by 50 % by 2010.<sup>54</sup>

The ArcelorMittal mining company reduced its production by 35 % in the fourth quarter of 2008, or 9 Mt of steel at a global level. At the end of January, ArcelorMittal announced that it was suspending one of its two production lines at its pelletizing plant in Port-Cartier until the end of the quarter. The automobile industry

<sup>52</sup> "Débit du fleuve - Le Québec fait entendre sa voix", Portinfo, Winter 2008.

<sup>53</sup> Gougeon, Jean-Guy, "Mines Wabush réduit sa production", Le Journal de Montréal, November 11, 2008.

<sup>54</sup> Lévesque, Fanny, "Ralentissement économique - IOC touchée à son tour", Journal Le Nord-Côtiér, December 3, 2009, Paradis, Steeve, "Avenir incertain sur la Côte-Nord", Le Soleil, December 12, 2008.

<sup>50</sup> "Le trafic de nuit augmente de 48 % sur le Saint-Laurent", Portinfo, Winter 2008.

<sup>51</sup> "Du bruit qui dérange", Radio-Canada Web site, December 22, 2008.

crisis is leading to a significant decline in the iron pellet market.<sup>55</sup>

Furthermore, the economic slowdown has not disturbed work progress on the Consolidated Thompson site in Fermont. To date, the global iron ore demand decline as well as the drop in metal prices has not modified Consolidated Thompson's plans in Lac Bloom, despite the fact that other companies have decreased their expansion objectives. The first iron concentrate cars from Consolidated Thompson destined for Sept-Îles are expected before the end of 2009.<sup>56</sup>

## Grains and oilseeds

### Anticipated increase in production and exports

According to most recent estimates from Statistics Canada, the Canadian production of grains and oilseeds in Canada in 2008-2009 will reach approximately 72.6 Mt, an increase in comparison to the 60.7 Mt recorded in 2007-2008.<sup>57</sup>

The global demand for wheat, mainly used for human consumption, is little impacted by the global economic situation while many countries are benefiting from somewhat low prices to increase their North-American imports of wheat. For this reason, the demand could slightly increase this year, which would limit stock growth in Canada despite a record harvest in 2008-2009.<sup>58</sup>

## Aluminum

### Global decrease in aluminum production

Aluminum was one of the first victims of the economic slowdown. Global automobile demand is declining. Consequently, global

aluminum stocks are decreasing and the course of aluminum is in freefall. Giants Alcoa and Rio Tinto have announced significant reductions in their production and investments in 2009. It should be noted that the industrial production of other consumer goods (other than automobiles) is also contributing to the global aluminum production decline.<sup>59</sup>

All of Rio Tinto's major investments projects have been stalled until metal prices return to favourable levels. In Québec, expansion projects for the Alma aluminum smelter, AP50 technology upgrades and central modernization have been maintained. However, their execution will be done more slowly.<sup>60</sup>

Just recently, Rio Tinto announced an additional 6 % reduction in its production of aluminum, which is added to the 5 % already communicated at the end of 2008. The Beauharnois aluminum smelter will cease its activities in 2009 and the factory in Vaudreuil, which transforms bauxite into aluminum, will decrease its production by 25 %.<sup>61</sup>

The Alouette aluminum smelter has confirmed that no reduction in its production is foreseen due to the economic slowdown. For now, the production plan and budget for 2009 have been adopted by shareholders. However, the company plans on soon implementing a reduction strategy for its operating costs.<sup>62</sup>

Hydro-Québec guaranteed Alcoa an energy supply of 2,100 megawatts at a preferential rate until December 31, 2040. This agreement follows a memorandum of agreement reached last March on the renewal of energy contracts for the three Alcoa aluminum smelters in

<sup>55</sup> "Les minières mettent le pied sur le frein", *La Presse*, December 30, 2008; "Activité ralentie à Port-Cartier", *Radio-Canada Web site*, January 23, 2009.

<sup>56</sup> "Les travaux vont bon train", *Radio-Canada Web site*, January 19, 2009.

<sup>57</sup> "Canada: perspectives des céréales et oléagineux", *Agriculture and Agri-Food Canada*, December 12, 2008.

<sup>58</sup> "Tendances des matières premières", *Desjardins - Études économiques*, January 12, 2009.

<sup>59</sup> "Tendances des matières premières", *Desjardins - Études économiques*, January 12, 2009.

<sup>60</sup> Mercure, Philippe, "RTA réduit la cadence; La phase 2 d'Alma et la mise au point de AP50 se feront au ralenti", *Le Quotidien*, December 11, 2008.

<sup>61</sup> Baril, Hélène, "Le Québec écope à son tour; Rio Tinto Alcan devra être prête à repartir en force au Saguenay et à Alma", *Le Quotidien*, January 21, 2009; Larocque, Sylvain, "Rio Tinto Alcan annonce des compressions au Québec", *Le Droit*, January 21, 2009.

<sup>62</sup> Lévesque, Fanny, "Ralentissement économique - Aucune mise à pied envisagée chez Alouette", *Journal Le Nord-Côtier*, December 17, 2008.

Québec, plants in Baie-Comeau, Bécancour and Deschambault. This agreement will allow the expansion of Alcoa in Québec, notably the expansion of the aluminum smelter in Baie-Comeau and eventually the one in Deschambault.<sup>63</sup>

Moreover, the Québec Government has allocated \$2 M to Exploration Orbite so that it may operate, in Grande-Vallée, Gaspésie, a pilot alumina processing plant. If all goes as planned, the plant will produce a ton of alumina per day starting in December 2009. And if production is conclusive, a large plant capable of producing 500 tons of alumina per day could take over the following year.<sup>64</sup>

## Lumber and Newspaper

### Another difficult year for the lumber industry

Québec lumber companies who export to the United States are operating slowly or have completely stopped production. The current global economic recession promises that the situation could worsen for the Canadian lumber industry.

2009 will definitely not be the year for Québec wood products. The demand for lumber is anaemic in the United States, due to the slowdown in the residential sector. The number of construction start-ups in the United States will reach a low unequalled since the late 50s. The smaller demand for residential construction wood products will be accompanied by a slowdown in commercial and industrial projects in the United States due to the economic recession, which will then lead to more decline in the demand for lumber. In short, difficult times ahead are still to be expected for the Canadian lumber industry.<sup>65</sup>

<sup>63</sup> "Alcoa s'entend avec Hydro-Québec", [Radio-Canada Web site](#), December 19, 2008.

<sup>64</sup> Haroun, Thierry, "Le projet d'alumine ira à Grande-Vallée", [Le Soleil](#), November 4, 2008; Haroun, Thierry, "Usine de transformation d'alumine à Grande-Vallée - Québec donne son feu vert", [Le Soleil](#), November 5, 2008.

<sup>65</sup> "Produits forestiers : passage à vide en 2009", Economic and financial forecasts, [Desjardins Études économiques](#), Winter 2009; "Une tourmente tenace", [Radio-Canada Web site](#), January 2009.

### The pulp and paper industry continues to sink

The Canadian pulp and paper industry is currently experiencing the worst moments in its history. For the last five years, the number of employees in this sector has dropped by 40 %, going from 145,000 to 84,400 and incomes have decreased by 4 billion dollars. In Québec, temporary production stops and permanent paper manufacturer closures are multiplying.

Far from improvement, industry outlooks are darkening even more with the recession in the United States which remains the main market for the Canadian newspaper industry. Internet use is not the only problem for pulp and paper manufacturers. Paper manufacturers must also compete with the elevated cost of fibre, especially in Eastern Canada. Furthermore, given that the demand for lumber is non-existent, sawmills have reduced their activities and at the same time are depriving paper manufacturers of their raw material, wood chips.<sup>66</sup>

## Hydrocarbons

### New delays for Rabaska

Due to the global economic crisis, Gazprom, largest natural gas producer in the world, is having difficulty finding funding for its development projects in Russia. Consequently, this could delay construction of the Rabaska methane tanker terminal in Lévis. In this context, the project could come to fruition much later than anticipated (in 2014). Some analysts claim a possible start-up in 2017. Some even estimate that it could be as late as 2020.

Let us recall that the methane tanker terminal will be located on the St. Lawrence ten kilometres downstream from Québec. It will be supplied with liquefied natural gas (LNG) originating from Russia. Transportation of the LNG will require 120 tanker trips (60 round trips)

<sup>66</sup> "Industrie du papier – Encore une année difficile", [Radio-Canada Web site](#), November 29, 2008; Baril, Hélène, "L'industrie des pâtes et papiers s'enfoncé encore; Pas de profits avant 2010, selon le Conference Board", [La Presse](#), November 12, 2008.

per year. Methane tankers will use the same navigation route currently used by ships arriving in Québec from the Atlantic Ocean.<sup>67</sup>

### **Pétrolia hopes to soon start drilling in Gaspésie**

The fall of oil drum prices has not impacted, for now, the Pétrolia Company who implemented a major exploration program in Gaspésie and on Anticosti Island. The company is continuing its exploration work on the property located south of the Parc de la Gaspésie and Anticosti Island. It recently completed a seismic and geo-chemical survey campaign. Results from these new surveys should be revealed at the start of 2009. The oil-bearing potential in the Gaspésie region is for now significant, so much so that within five years, Pétrolia hopes to produce 5 % of the petroleum consumed in Quebec, or 7.5 million drums annually.<sup>68</sup>

## **FERRIES**

### **The project for a ferry between Grande-Anse and Paspébiac will not yet be abandoned**

The maritime ferry project in the Baie-des-Chaleurs between Grande-Anse in New Brunswick and Paspébiac in Quebec is not dead yet. In fact, an inter-provincial meeting is being organized in order to allow various municipal and provincial interveners the chance to have an in-depth discussion on the project. The main issue at this meeting will pertain to the selection of a private developer. Without this, it will be very difficult for provincial (Québec and New Brunswick) and federal governments to invest in this project estimated at \$12 M.<sup>69</sup>

<sup>67</sup> "Le projet Rabaska va de l'avant", *Maritime Magazine*, number 50, Fall 2008.

<sup>68</sup> Thériault, Carl, "Exploration pétrolière en Gaspésie - Pétrolia garde le cap", *Le Soleil*, November 3, 2008.

<sup>69</sup> "Traversier de Grande-Anse: rencontre au sommet", *L'Acadie Nouvelle*, November 28, 2008.

### **Maintaining ferry service between the Magdalen Islands and Prince Edward Island during winter 2009**

The ferry service which links the Magdalen Islands and Prince Edwards Island will not be interrupted this winter. In years past, residents of the Magdalen Islands could only take the ferry from the start of April to the end of January. It's worth mentioning that this maritime service maintenance in winter had been requested by Magdalen Island residents for a long time. Last December, Transport Canada announced that it would agree to finance, in the scope of a pilot project, two round trips per week during the months of February and March.<sup>70</sup>

### **Uncertainty pertaining to the future of the Camille-Marcoux ferry**

The *Société des traversiers du Québec* (STQ) will soon submit its recommendations to the Québec Government regarding the decision to replace the *Camille-Marcoux* ferry or to upgrade it in accordance with new federal standards which will take effect in 2016. Note that the ferry provides a shuttle service between Godbout - Matane - Baie-Comeau.

The new federal standards for ship stability would limit the maximum capacity of the *Camille-Marcoux* to 350 persons, while it can currently transport 600 passengers. At 24 years of age, the *Camille-Marcoux* is the only ferry in the country that does not meet the future standards. This being said, the ferry could remain in service until 2016. The federal government has decided to delay the effective date of new security standards by four years. They should be applied as of 2012.<sup>71</sup>

### **Increasing activities for the Georges-Alexandre-Lebel train ferry**

In the opinion of the chief executive officer of the Matane management company (COGEMA),

<sup>70</sup> "Les îles seront moins isolées", *Radio-Canada Web site*, December 17, 2008.

<sup>71</sup> Tremblay, Lisianne, "Le gouvernement rendra sa décision en 2009", *Journal Le Nord-Côtier*, December 10, 2008.

the *Georges-Alexandre-Lebel* train ferry could further serve various mining companies from the North Shore. Presently, the train ferry provides daily service to Baie-Comeau, as well as Sept-Îles on a weekly basis. The COGEMA Company's objective is to increase its market share in Sept-Îles with mining companies. It notably would like to transport railway construction materials for them, as other railways are about to be built in order to serve new mining exploration territories. For example, a railway to access the mine at Lac Bloom is currently under construction.<sup>72</sup>

## INTERNATIONAL CRUISES

### Three cruise ship companies add Baie-Comeau to their visit network on the St. Lawrence

Five cruise ships have confirmed they will stop at the Port of Baie-Comeau in 2009, which will lead to the visit of 15,000 cruise passengers for the City of Baie-Comeau. Furthermore, the *MS Eurodam* announced that it will stop in Baie-Comeau in October 2010. Newly operational this year, this ship measuring 285 meters can accommodate more than 2,000 passengers.

To date, three cruise companies have agreed to register Baie-Comeau into their visit network on the St. Lawrence. Authorities in Baie-Comeau hope to convince other companies to do the same. In order to do this, they have been participating, for several years, in Seatrade in Miami, the most important cruise ship industry show in North America. The objective of municipal authorities is to attract approximately 30,000 cruise passengers per year to Baie-Comeau by 2014.<sup>73</sup>

<sup>72</sup> Desgagné, Nancy, "Le traversier-rail compte sur les minières pour augmenter ses activités", *Journal Le Nord-Côtiér*, December 10, 2008.

<sup>73</sup> Tremblay, Lisianne, "Industrie des croisières - Le MS Eurodam mouillera dans les eaux baie-cómoises", *Journal Haute Côte-Nord*, November 12, 2008.

## COMMENTS

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