



Local logistics serve global opportunities

By Darryl Anderson
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Port Metro Vancouver has been successful in maintaining their lead as Canada's predominate container gateway. The economic impact from this form of international trade is substantial. The 2012 *Port Metro Vancouver Economic Study* estimated that container traffic generates more than 10,000 person years of direct employment and nearly 22,500 person years of total employment. Expectations about rising container traffic volumes and increasing trade with Asia have resulted in substantial investment in import distribution centres, new and increased use of transload facilities and employment in the drayage sector. This article will explore the local logistics opportunities and issues that accompany growth in port container traffic.

Import distribution sector

Capital investment in new import distribution centres (DC) has been in direct response to PMV's success. Industry Canada partnered with the Canadian Manufacturers and Exporters and the Supply Chain & Logistics Association Canada to produce *Global Business*

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Strategy and Innovation: A Canadian Logistics Perspective. The 2009 report revealed:

- Growth in British Columbia (79 per cent) was due to major investments in container deconsolidation facilities;
- Not only large firms but small and medium-sized firms were investing in DCs to better respond to customer mandates and to integrate further into global value chains.

Avison Young, in their fall 2013 Metro Vancouver Industrial Overview, reported: "Metro Vancouver's industrial inventory has continued to expand rapidly since spring 2013 with almost 1.4 million square feet (msf) of new product added in the past six months and nearly 1.8 msf currently under construction. Richmond's industrial market has seen the greatest increase with more than 560,000 sf added

to the 36.8-msf market. Delta has also recorded a significant increase with an additional 220,000 sf added to its growing 20.8-msf industrial market. More than 150,000 sf was also added to Surrey's 27.9 msf of industrial product during the past six months. Delta currently has the most new industrial product under construction (~680,000 sf) due primarily to Phase I of Dayhu's Boundary Bay Industrial Park and Grosvenor's Millennium VI development on Annacis Island."

Richard Wozny, Principal of Site Economics Ltd., commented that "much of the new investment is speculative construction that is being driven by the undeniable fact that the completion of the new South Fraser Perimeter Road (SFPR) will shape the local logistics landscape for years to come. The main areas to benefit are the Tsawwassen First Nation



Distribution centres will soon be seeing the benefits of the new South Fraser Perimeter Road which creates much better access to Deltaport.

CARGO LOGISTICS



Photo courtesy of Harbour Link Services

Container traffic generates more than 10,000 person years of direct employment.

Industrial Lands, the Boundary Bay Airport Lands and the extensive underutilized industrial lands between the river and SFPR.”

Transload sector

There are numerous companies in the Lower Mainland logistics marketplace that provide transload facilities. These companies primarily serve the export needs of Western Canadian forest product, mining and agricultural producers. The larger firms (Euro Asia Transloading Inc., Coast 2000 Terminals Ltd. and Westran Intermodal Ltd.) have a diversified product mix handling lumber, pulp, OSB and other products such as steel/coils and pipes. Catalyst’s Surrey Distribution Centre’s transloading activities support both the firm’s own and other third party paper export requirements. Firms such as Ray-Mont Logistics and Global Agriculture Trans-Loading Inc. specialize in transloading bulk agricultural commodities from the Canadian Prairies for export.

When Morley Strachan, President of Coast 2000, spoke at the Port Metro Vancouver Logistics Interface conference, he made a number of important observations about the transload sector. Perhaps, contrary to public perception, the transload industry is vital to local sustainability and liveability initiatives because they have the potential to “minimize empty truck moves by linking imports with our export cargo: optimizing triangulation opportunities. Consolidating export products and empty containers on the same site minimize the need to truck to several locations, reducing truck footprint and impact on residential streets.” Yet Strachan cited the “lack of available land for further expansion” as a challenge going forward in light of the positive long-term outlook for containerized exports to Asia. For 2014, Morley indicated that the business outlook for the transload sector remains strong; yet those facilities that handle lumber export to Asia may see their volume decline in the coming year if the U.S. economy and housing market strengthens.

Drayage sector

The Asia-Pacific Skills Gateway Table-initiated report *Drayage Owner-Operators* noted that PMV handled 2.7 million 20-foot equivalent units (teu) of import and export containers shipped to and from a wide range of domestic and international locations. Lead author, David Colledge estimated that there were about two million truck-trip legs required to handle this volume of container traffic moving through the gateway.

The drayage sector is vital to the Pacific Gateway’s ongoing reputation for supply chain reliability since 37 per cent of import container traffic leaves PMV’s marine terminal by truck according to Transport Canada data contained in their presentation called *Canada Supply Chain Performance Monitoring*. However, this segment of the local logistic industry is not without its challenges, noted the recent report *Labour Force Profile: Port Drayage Drivers in Metro Vancouver*. Phil Davies, lead author for this Asia-Pacific Skills Gateway Table initiative, wrote that “based upon a comparison between the 2007 study and this study... there appears to have been a decline in drayage efficiency”.

Commenting on the issue of drayage efficiency, Gordon Payne, Chairman of Harbour Link Container Services Inc., remarked that “80 per cent of the trucks that visit the port today complete one-way container trips. A lot has to do with the challenges being encountered by terminal operators being able to

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adjust their operations to the changes in the traffic flows that evolve daily from the transit of containers between ships at berth, the rail intermodal yard and between trucks to/from the gates.”

In late October 2013, the long festering issue of efficiency in PMV’s drayage industry was once again in the news. Frustration with the present system became public when some truck drivers from the non-unionized segment of the local industry established the United Truckers Association (UTA) and voted to stage a peaceful port trucker protest.

PMV’s President and CEO responded to the UTA in an open letter published on the Authority’s web site. Robin Silvestor’s letter stated: “PMV agrees that a turn-around time of one hour represents an appropriate target” for container terminal fluidity for drayage drivers. “Four years ago, the average turn at this port was 35 minutes per container. That is the target Vancouver needs to re-achieve,” observed Mr. Payne.

As 2014 unfolds, all eyes in the local drayage industry will be on PMV officials as they contemplate expanding the implementation of GPS units from their pilot project to the full fleet of container trucks. PMV wants to ensure that all stakeholders have more complete data on routing, performance and bottlenecks to aid in performance monitoring.

Conclusions

This brief article attempts to illustrate the important role that import distribution centres, transload facilities and the drayage sector play in supporting maritime commerce, local employment and investment in the Lower Mainland. Given the size and relative importance of the container logistic sector, there is no shortage of pundits offering their insights into challenges. Perhaps two of the more thought provoking observers are local academics.

Simon Fraser University’s Peter V. Hall asserts in his paper, *Global Logistics Local Dilemmas*, that “public support for seaport gateways have declined because the relationship between seaports and port cities has been profoundly altered by the process of containerization and the rise of global logistics”. He cites a number of arguments for what he calls the infrastructure legitimacy problem. The primary reason, cited by Hall, is the spatial impacts caused by the concentration of local logistics

activities that support global commerce. In contrast, professor emeritus Trevor Heaver from UBC, in *Co-ordination in multi-actor logistics operations: challenges at the port interface*, observes that PMV has been effective in getting participation of “local” actors (terminal companies, inland carriers and freight forwarders) in initiatives impacting the performance of the gateway community.

It is this author’s hope that this article will help span the divide between two such disparate perspectives. We all rely on the local logistics industry to meet our daily needs, yet there are challenges that impact our gateway’s effectiveness and our region’s sustainability. This article

will perhaps stimulate further dialogue since Metro Vancouver will be contemplating a goods movement strategy in 2014 and Port Metro Vancouver will be considering changes to the drayage truck licensing system. Both decisions are likely to have impacts for the people who work and invest in the local logistics sector and the neighbourhoods and communities where port-related business is conducted.

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