Inland logistics and terminals drive Gateway growth

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The New West Partnership Premiers from British Columbia, Alberta, and Saskatchewan indicated in 2014 that their top priority was solving problems with getting western goods to market. A year later, the challenges and pressures facing the freight transport system and logistics sector have increased. Economist Phil Davies stated, "Total North American Pacific Coast container traffic reached 24.7 million TEU's in 2014, finally recovering to the peak levels reached in 2006 and 2007."

"High container traffic volumes are driving demand for well-located logistics-oriented industrial land. As there is a shortage of suitable sites on the coast, then the best alternatives are within growing inland terminals," observed Richard Wozny, principal Site Economic Ltd. This article will explore how the development of inland logistics and terminals are not only serving the needs within the New West Partnership region but are also an essential driving force in the growth of Canada's Asia Pacific gateway.

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Saskatchewan

In Regina, Saskatchewan, the Global Transportation Hub (GTH) is the developer, maintainer and regulator of a greenfield project that is being specifically designed for firms in the warehousing, distribution, transportation and logistics sectors. The 1,800-acre facility benefits regional shippers in southern Saskatchewan with its strategic position adjacent to CP's mainline between Regina and Moose Jaw.

The GTH integrates important transportation infrastructure such as rail and the national highway system. It provides opportunities for the co-location of distribution centres. Clients of the logistics park include Loblaws, Consolidated Fastfreight, the Emterra Group and others.

Recognizing the need for timely logistics infrastructure development (that is environmentally sustainable), the inland port authority was created in 2013 through the passage of Bill No. 81 by the Saskatchewan legislature. The act not only created the GTH Authority but also created a streamlined process for logistics infrastructure development in the province.

GTH Vice President or Business Development Rhonda Ekstrom emphasized that the GTH has seized on the unique differentiator of being a true inland port to attract new investment and create supply chain solutions. Ms. Ekstrom stated, "We're autonomous and self-governing. We can streamline processes to help clients move quickly through activities such as development plans and permitting." The GTH is involved in everything from site zoning and by-laws to property design and roadway. For logistics service providers, the GTH is banking on the fact that efficiency in development and infrastructure design will drive a higher return on investment for companies operating at the inland port and shipping cargo through the facilities. As a greenfield developer, the GTH offers land for sale or lease.

A key piece of the logistics infrastructure within the GTH footprint is Canadian Pacific's intermodal facility. Open since January 2013, the intermodal facility is both larger and more efficient than the terminal it replaced. CP's facility is located on a 300-acre industrial parcel owned by the company. The intermodal facility is designed to handle up to 250,000 containers per year, five times more than their previous terminal.

The co-location of logistics service and new transportation infrastructure provides a number of potential supply chain benefits such as reducing costs, lowering transit times, and creating physical space to handle growth. GTH's value proposition was attractive to both Loblaws — who built a new world-class distribution center to serve Western Canada — and Consolidated Fast Freight — who opened a 10,000-square-foot cross-dock facility on 10 acres of land.

To date, the GTH and CP Rail's intermodal terminal are serving the supply chain needs of regional customers that require a variety of international and domestic products — ranging from imported consumer products like electronics, clothing and furniture to auto parts and the export of agricultural specialty crops such as peas, beans, lentils, soya beans and alfalfa that move through the Asia Pacific Gateway.

In Saskatoon, both infrastructure improvements and CN's supply chain solutions approach is helping drive growth. Since 2007, two projects totalling $20 million as part of the Asia-Pacific Gateway and Corridor Initiative were undertaken by the City of Saskatoon. The projects improved access to the Canadian National Railway's (CN) intermodal freight terminal located in Southwest Saskatoon and facilitate Saskatchewan shippers' participation in Asia-Pacific trade.

Dan Bresolin, CN's Marketing Director, Intermodal and International, highlighted the fact that CN is bringing together five different supply chain participants (shipper, shipping line, rail road, inland terminal and container) at a location such as Saskatoon to create a supply chain solution for exporters. This could involve the domestic repositioning of a container originating from a location in central Canada into Saskatoon so the contain becomes available for an export opportunity. Bresolin stated, "Success of the port, shippers and railways starts with the round-trip experience of the 40-foot box. Success in generating a new import box depends to a large degree on how well the rail carrier can mitigate round-trip costs of the container for the shipping line."

Since Saskatoon's container exports exceed imports, CN is actively managing relationships and taking opportunities to introduce shipping lines (who own the boxes) to export opportunities. For CN, offering supply chain solutions means "being a relationship builder and matchmaker," said Bresolin. CN Saskatoon intermodal facility is supporting the regional economy by handling a wide range of export commodities such as hay, lentils, split peas, peas, specialty wheat and a variety of proteins. The expansion of the Prince Rupert container terminal is also likely to drive the demand for inland logistic and terminal services in Saskatoon.

Alberta

The industrial real estate sector in Calgary is so far weathering the economic slowdown brought on by low oil prices, according to a recent Colliers International report. One of the reasons is that the transportation and logistics sector remains resilient. Supporters of the Calgary logistics cluster would argue that the driving force is the lowest total landed cost for Alberta shippers.

The scope and scale of Calgary's logistics activity can be assessed by a number of performance measures including the size of shippers' facilities and logistics companies operating in the region. Major shippers include Costco, Wal-Mart, Loblaws, Sears, Canadian Tire Group, Marks Work Warehouse, Forzani, Canada Safeway, Gordon Foods, and Sysco.

One recent major current development is the construction of a one-million-square-foot Home Depot distribution hub near the CP Railway intermodal terminal. The project includes a 425,000-square-foot rapid deployment centre and adjacent 650,000-square-foot stocking distribution centre. The new facilities are slated to open in December 2015 and February 2016 respectively and will serve 58 stores in Alberta, British Columbia, Manitoba and Saskatchewan.

Within the Calgary region, there are over 4,000 logistics and transportation companies offering all the services that shippers require. Major firms include: CPR, CN, Mullen Group, Livingston International, Cole International, DHL Supply Chain & Global Forwarding, Panalpina, Inc., Kuehne + Nagel, C.H. Robinson Worldwide, Inc., DB Schenker Logistics, Agility, UPS Supply Chain Solutions, CEVA Logistics and FedEx.

While the region posts an impressive roster of service providers, Mr. Reginald Johnston, logistic consultant for the Calgary Regional Partnership, offers one statistic that provides a partial glimpse into the volume of freight traffic that is sure to catch the attention of *BC Shipping News* readers. He observes that, in terms of "just rail picks, 810,000 TEU movements occur annually in the region (CPR and CN combined)." In comparison, the marine containers terminals in Prince Rupert handled 618,167 TEUs and Port Metro Vancouver 2,912,928 TEUs in 2014.

To support Asia Pacific Gateway traffic, CN has been offering import/export container train service between the Port of Prince Rupert and Calgary and Edmonton since 2012. CN's decision was based on the fact that until recently Alberta had one of the fastest growing industrial- and consumer-based economies in North America. In response to growth opportunities, CN relocated its Calgary intermodal terminal to a new, larger 680-acre logistic park in Rocky View County near the airport in Calgary. The $200-million logistics park, along with connectivity to both the Port of Prince Rupert and Vancouver, provides customers with fluid access to world markets for consumer goods and industrial materials, as well as two prime export routes for its forest products, plastics and agricultural products.

British Columbia

Discussions regarding inland terminals and logistics solutions in B.C. often focus on CN's assets in Prince George. The community's geographic location provides for direct access to both the Port of Prince Rupert and Vancouver for export shippers. The company has an 84,000-square-foot warehouse with 10 acres of outside storage. CN's adjacent intermodal rail yard features two 2,400-foot pad tracks, truck-pick-up capabilities and an automated gate system. In 2012, CN's Prince George transload facility was expanded to allow regional shippers to take advantage of a facility that is co-located inside their Intermodal yard. Prince George allows for in-park movement of containers, significantly reducing drayage and handling costs for customers. CN's Dan Bresolin advised that the company has added staff and forklift capacity at Prince George to handle increases in lumber and pulp shipments and the emerging forage exports

The Global Transportation Hub in Regina, SK is a 1,800 acre inland port. The Greenfield development is designed to serve companies and organizations in warehousing, distribution, transportation, logistics, as well as light processing and manufacturing.

that are occurring in the region. Along with applying supply chains solutions similar to those used in Saskatoon, the company is also in a good position to make other operational changes to support growth that will come from an expanded Prince Rupert container terminal.

With an inland port development occurring at Ashcroft Terminals, the increase in choice of logistics service providers will no doubt appeal to some forest products exporters that have traditionally relied on Lower Mainland transload operators. Earlier this year, Canaan Group, a global logistics company, announced they would commence container handling operations and logistics services at Ashcroft Terminal starting in the second quarter of 2015. Partnering with selected shipping carriers, Canaan Group will operate container handling services including, on/off rail, storage, container and truck management, transloading and distribution of products.

Kleo Landucci, Vice President, Projects and Development for Ashcroft Terminal, firmly believes that the logistics value proposition provided by their facility is the result of a one-of-a-kind geographic location that offers cost savings for shippers. Located at the Eastern end of CP/CN mainline co-production, Ashcroft is the last location westbound, and the first location eastbound, at which mainline traffic can stop, to or from Metro Vancouver.

Using a new Canaan facility being developed at Ashcroft, customers will have the option to source load their products and return containers back to Ashcroft Terminal to be shipped out by rail. Customers will also have the option to send products directly to Ashcroft Terminal where Canaan will transload to containers. The loaded containers will go back on rail to the marine terminals for vessel loading.

The location of Ashcroft Terminal provides some manufacturers that are currently trucking forest export products to the Lower Mainland, a more cost-effective location. Export products being targeted include lumber, OSB, plywood, pulp, and wood pellets. Container line and railway company support for logistic efficiencies provided by inland terminals is vital since empty containers from eastern locations will need to repositioned to Ashcroft Terminal by rail.

Conclusions

The New West Partnership region covers 2,258,486 square kilometres. As a result of this vast geography, the location of population centres and the needs of customers, each inland logistics cluster and terminal offers a distinct value proposition. However, a unifying theme is that the co-location of logistics services and collaboration improves supply chain performance and cost. Innovation and infrastructure investments are helping to ensure that shippers through Canada's Asia Pacific Gateway ports have a healthy choice of options to serve regional customers.

Inland logistics parks and supply chain collaboration strategies are most effective when shipping lines have an economic reason to supply containers to these locations. With the full opening of an expanded Panama Canal soon upon us, there will be more intense competition to serve Asia-generated container traffic volume from the U.S. Gulf and East Coast ports. Perhaps it is time to realize the true direction of our competitive threats.

B.C. port's West Coast market share of container traffic has remained surprisingly stagnant even in spite of the difficulties experienced by U.S. West Coast ports last year. If "a robust export ability depends on obtaining and attracting an import box," as CN's, Bresolin suggests, the debate about what role inland logistics facilities can play in the supply chain should not solely be limited to shifting growth away from port locations. Rather, discussion and economic analysis of how the total system can be leveraged to grow our container market share so we remain resilient through the full economic cycle should be an important part of the policy discussion. Increased traffic and logistics resiliency will help support the investments required by marine container terminals and others to support the needs of the next generation of super-sized ships.

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