



# Vital cargo flowing short distances

By Darryl Anderson  
Managing Director, Wave Point Consulting

Short sea shipping continues to be a vital segment of maritime commerce in British Columbia. In the Lower Mainland, short sea shipping accounted for almost 35.2 million tonnes of cargo in 2016 (29 million tonnes of domestic traffic and 6.2 million tonnes of U.S. traffic). For purposes of comparison, that is roughly equal to the Port of Montreal's freight record achieved for the same year. While short sea shipping traffic accounts for 26 per cent of Port of Vancouver's total traffic, it doesn't always draw the industry attention that one might expect.

### B.C. industry profile

The publication, *Short Sea Shipping in Metro Vancouver*, notes that the sector is grouped into two styles of service: point-to-point tug-and-barge operations; and regularly scheduled, predominantly roll on/roll off ferry services.

Point-to-point service utilizes tug and barges to move bulk raw materials (logs and aggregates) between coastal mills and quarries and the Lower Mainland, primarily on the Fraser River. Manufactured goods (lumber, veneer pulp, and paper) also use short sea shipping.

Companies active in this segment of the market include Wainwright Marine, Mercury Tug and Launch, West Coast Tug and Barge, Coast Island Marine, Amix Marine Services, Seaspan Marine, amongst others.

Regularly scheduled service by roll-on, roll-off (RO-RO) ferry operations is provided by BC Ferries and Seaspan Ferries. While trucks use the regularly scheduled sailings of BC Ferries, Seaspan Ferries carries trailers — primarily from terminals in Delta (Tilbury) and Surrey — and rail cars from the Southern Railway of BC barge ramp on Annacis Island. Phil Davies, Principal of Davies Transportation Consulting, said that,

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“these services enable the flexible and rapid door-to-door service for high-value commodities.” Goods include everything from groceries and electronics to lumber and automobiles.

More than half the cargo delivered to the Island arrives on one of several Seaspan ferries sailing out of terminals in Delta and Surrey. From a logistics perspective, this drop trailer service is a cost-effective option for many shippers — trucks “drop” their trailers at the terminals which are then collected on the other side by other trucks.

To meet the needs of a growing Island economy, Seaspan recently introduced two new 148.9-metre-long LNG-fuelled vessels, capable of carrying up to 59 53-foot trailers. Built in the Sedef Shipyard in Istanbul, Turkey, the *Seaspan Swift* and *Seaspan Reliant* are the first additions to the company's ferry fleet in 15 years.

The *Swift* is delivering to Swartz Bay and the *Reliant* is running between Tilbury and Duke Point, however they are interchangeable. An additional change to Seaspan Ferry Corp. activities includes closing its Wellcox terminal in downtown Nanaimo to consolidate operations at Duke Point which has been upgraded and expanded.

Mike Fournier, Managing Director, Antares Consulting Services Inc., stated that, “up until recently, short sea shipping attempts for container service was driven by only one party, either the shipper or the terminal. A successfully scheduled service needs to align the interests of both sides.” DP World's container service between Vancouver and Nanaimo is amongst the newest scheduled services to meet this challenge.

In January 2012, DP World Vancouver and the Nanaimo Port Authority signed a three-year agreement awarding DP World Vancouver the right to operate the Port of Nanaimo's facilities, including the Duke Point general cargo facility and Nanaimo Assembly Wharf. The new agreement provided for a good opportunity to establish load-on, load-off (Lo-Lo) container barge service transfers between DPW's Centerm Terminal and Duke Point.

The introduction of the DP World short sea shipping service in 2012 vaulted the Nanaimo Port Authority into the top 50 container ports in North America. In its first full year of operation, the barge service handled approximately 20,000 TEUs in and out. In 2015, the cargo volume was 35,336 TEUs, up 45 per cent from the 24,405 TEU in 2014.

DP World's short sea shipping service primarily handles export traffic. However, Duke Point has handled some import business, most of it clearing customs at DP World's Centerm facility in Vancouver. The service has also done some intermodal boxes for clients in the trucking community. The Port Authority is already working with DP World to bring in more import boxes.

The service began on a weekly schedule, with the barge working in Vancouver on Mondays and in Nanaimo on Fridays, then increased to two sailings per week in 2013. Jones Marine Group's deck cargo pontoon barge, measuring 80.3 by 22.04 metres can handle 168 containers on a full load. The 40-foot containers are stored six length wise, seven across and four high.

DP World schedules the number of barge movements each week based on

customer demand and works to have the minimum service plan set about six weeks in advance, with the ability to add sailings for additional traffic volume if required.

The service has streamlined the movement of containerized export cargoes off the island, which previously typically required trucking via BC Ferries, or Seaspans Ferries, to a transload centre in the Lower Mainland, followed by a drayage trip to the port terminal. DP World officials have estimated that there are 3,000 to 4,000 fewer truck trips in the Vancouver area each month as a result of the service.

In a recent DP World Nanaimo corporate video, Phil Chambers, Vice-President and General Manager, Warmland Logistics, Inc., indicated that the service saves his customers \$400 to \$500 dollars per transaction. In 2016, Warmland Logistics moved over 2,000 marine containers.

John Gillis, Vice President of Sales and Business Development, Centurion Lumber, stated DP World has, “shown a deep commitment to doing something on Vancouver Island good for our business — a green solution, a local solution that provides jobs and employment.”

James Frost, President MariNova remarked: “Besides the supply chain benefits, feeder is good business. The 35,336 TEU traffic at Nanaimo is duplicated at Centerm. In fact, when it comes to transshipment, each box is handled on multiple occasions — off the mother ship, onto the feeder vessel, off the feeder vessel and back on to the mother ship. By also managing the Nanaimo terminal, DP World moves each box six times if you include the lift off the feeder vessel and the lift back on. It’s a very smart strategy and a good illustration of the benefits of transshipment and short sea shipping.”

## Prospects for new services

The Nanaimo Port Authority is pursuing further short sea shipping investments at their Duke Point Terminal in the coming years to address international cargo needs for Vancouver Island. However, shippers may also be interested in assessing the prospects for any new service provider to enter the B.C. marketplace.

When examining the prospect of new services, it is informative to identify some

of the critical elements. Fournier believes a number of elements have contributed to DP World’s Nanaimo-Vancouver short sea shipping success:

- It is a subsidized start-up;
- DP World facilities, infrastructure and customer education on Vancouver Island where there was not the previous practice of containerized short sea shipping; and
- From a shippers’ perspective – consistency is paramount. Regular, timely, consistent cost-effective service.

Fournier’s observation regarding a subsidized start-up can, in part, be attributed to the fact that, in June 2013, the Federal Government announced funding under the Asia-Pacific Gateway and Corridor Initiative (APGCI) to assist the Nanaimo Port Authority with improvements to the infrastructure for handling containers. The Government of Canada contributed up to \$4.65 million to rehabilitate the Nanaimo Assembly Wharf, an aging dock that has had limited use for cargo handling for the past decade. The contribution was contingent on matching funds from the Nanaimo Port Authority. The Port has invested nearly \$4 million of port capital in infrastructure over the past two years, creating new dock infrastructure and a mobile crane to meet the increased volume of ocean containers now being handled.

Davies Transportation Consulting research highlights the success factors for the DP World Nanaimo container barge service:

- Integrated management of the barge service and terminal facilities by DP World, allowing the company to efficiently schedule the short sea shipping service and proactively manage the container equipment that flows to Vancouver Island from the container lines.
- Operations have been scaled to be highly flexible to the unique needs of Vancouver Island shippers.

New potential competitors will not have an easy time replicating the factors that drive the success of Seaspans Ferries and DP World. The short sea shipping market in British Columbia includes more possibilities than the existing routes between Vancouver and Vancouver Island — nevertheless, the evidence suggests that the increased capacity of the new Seaspans vessels and DP World’s service innovations are setting the pace for the next phase of sustainable short sea shipping growth in our province.

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