

Renewed vigour in Port Alberni

Zoran Knezevic
President & CEO
Port Alberni Port Authority



Photo credit: Dave Roels (www.daveruels.com)

Back in the 1970s and 1980s, Port Alberni had one of the highest paid per capita workforces in Canada. Fast forward through a couple of decades of battered forestry and fishing industries and things looked quite different when Zoran Knezevic came on the scene. Now, after three years under Zoran's leadership, activity in Port Alberni is ramping up. With two major projects proposed — an LNG export terminal and the Port Alberni Trans-shipment Hub — Port Alberni is starting to show signs of returning to its former glory.

BCSN: *Let's start with some background on the Port Alberni Port Authority (PAPA). What are your main areas of operations and activities?*

ZK: PAPA is one of 18 port authorities in Canada — all are members of the Association of Canadian Port Authorities and operate with the same rules under the *Canada Marine Act*. We're one of the smaller ports — last year we moved about one million tonnes of cargo. We have jurisdiction over a 47-kilometre-long inlet from the mouth of the Somass River through the remaining waters of the inlet all the way down to Tzartus Island, including Port Alberni's inner harbour. We operate as a Canadian Port Authority under our Letters Patent from the federal government, which designates us to oversee the inner harbour and shipping terminals and the remaining foreshore

...from fulfilling our core obligations as a shipping port, we're also always thinking of ways to engage the community...

waters of the Alberni Inlet under a head-lease agreement with the Province of B.C.

We're quite diverse in terms of the kind of activities we undertake. We manage four marinas and one campground, over 100 foreshore and federal real property asset leases and 56 float homes in addition to our core business of shipping. We have a three-berth terminal with 7.5 hectares of land, from where we predominantly ship logs and lumber (780,000 cubic metres of logs last year plus 60 million board-feet of lumber); and four warehouses, three of which are operated by private businesses under separate lease agreements.

We lease one of our warehouses and part of our dock to Independent Seafood Corporation of Canada; another warehouse and outside storage space to Canadian Alberni Engineering; and the third warehouse as well as an adjoining large building to Cantimber Biotech Ltd., which is a new value-added wood fibre operation now in the process of setting up their operations. We are also proud to have assisted in the development of a joint venture between Hub City Fisheries

and the Tseshaht First Nation to retrofit, renovate and reinvigorate an ice plant and fish processing plant formerly operated by Port Fish.

There is also Centennial Pier, which performs as a floating breakwater providing protection for Fisherman's Harbour. The breakwater itself has become a great community recreation and leisure area for locals.

I think you can see that, from fulfilling our core obligations as a shipping port, we're also always thinking of ways to engage the community, whether it be through tourism and recreational fishing, boating and camping opportunities or through partnerships and collaborative funding with organizations like Small Craft Harbours, First Nations, the City and the Island Coastal Economic Trust.

BCSN: *I understand you're also working on some significant projects. Let's start with Steelhead LNG's proposal for an LNG export facility.*

ZK: Yes, that's right. In late summer 2012, we were approached by a large global energy company looking at the feasibility of using Port Alberni as an

export facility for LNG. Before that, LNG was predominantly focused on the Prince Rupert area but the more we discussed the plan with the proponent, the more we realized that the Port Alberni region has many benefits and is well positioned for the export of LNG.

Following those initial discussions, we started promoting the Alberni Inlet as a viable location. We went on a couple of trade missions with the Premier and we also signed a Protocol Agreement with the Huu-ay-aht First Nation to work jointly to develop this area as a world-class port. When we originally signed the protocol, we were thinking of PATH (the Port Alberni Trans-shipment Hub) however we were able to attract Steelhead LNG and other potential investors to look more seriously at Port Alberni as a potential location for either of these large-scale projects.

We facilitated discussions that brought Steelhead LNG and the Huu-ay-aht First Nation together and they have since signed an Opportunity Development Agreement to work together to explore getting the project off the ground.

BCSN: *What about the Port Alberni Trans-shipment Hub (PATH)? Could you describe the basics of the project and where things stand right now?*

ZK: We embarked on that project a few years ago, initially with support from Infrastructure Canada and the Honourable Ed Fast, Minister for International Trade and Minister for the Asia-Pacific Gateway. The federal government approved 50 per cent funding for the pre-feasibility study in 2013 which has now been completed and proves overwhelmingly that the PATH project is viable and offers a number of significant economic, environmental and social benefits. Since then, we've put all the pieces together to provide a business case and we have submitted an application to the Build Canada Fund for up to 33 per cent funding. We're currently waiting for their response and looking for investors for the remaining portion of the project cost.

BCSN: *Tell me about the business case for PATH.*

ZK: PATH will be able to service the largest ships currently in operation but will also be built to accommodate even larger vessels on the global design "drawing board" such as those over 20,000 TEUs.

All indicators point to the shipping industry employing larger ships because

Photo credit: Dave Roels (www.daveroels.com)



Zoran points to Port Alberni's harbour.

they make more economic sense for ocean voyages. However, you want to use that big ship for the shortest distance rather than what's currently happening — the ship arrives on the West Coast and will go to Seattle, drop cargo there, then go to Vancouver and deliver cargo there. Essentially, the big ships have become a delivery service and that's not the best use for that design. Furthermore, when deploying ships in this fashion, the lowest common denominator rule applies; meaning the terminal handling equipment at the least equipped and capable terminal will decide the size of the vessel on that service.

The PATH project is much more efficient. I use the four-pronged efficiency concept:

The **first** prong is a savings of three to seven days for each container vessel and

reducing its stop to one port call: Right now, a container ship from Shanghai passes by Port Alberni off the West Coast of Vancouver Island near the mouth of Barclay Sound, goes to Seattle or Tacoma, stays there for two to three days then goes to Vancouver, stays there for two to three days and then passes by Barclay Sound again about a week or so later. By bringing the ship into the Alberni Inlet, it will save at least three days for each container vessel (that's based on a 14,000 TEU ship). If you're considering 20,000-plus TEUs, then you're looking at a seven-day savings. Seven days is a sweet number because it means the shipping line can take one ship out of rotation and that's a major savings for them.

Savings number **two** lies in the vast reduction in land transportation cost and handling and sorting cargo in the

OWEN • BIRD

LAW CORPORATION

Providing advice and assistance to the maritime community.

29th Floor, Three Bentall Centre
595 Burrard Street, PO Box 49130
Vancouver, BC V7X 1J5

Tel: 604-688-0401 / Fax: 604-688-2827

www.owenbird.com

Patrick J. Haberl 604-691-7523
Gregory J. Tucker 604-691-7553
Harley J. Harris 604-691-7520

INDUSTRY INSIGHT

This will be among the most modern automated container terminals in North America. Ship-to-shore container discharge will be done with the most modern dual-hoist dual-trolley container cranes...

existing terminals. Terminals in the Lower Mainland and Seattle are situated a distance away from the industrial areas — in Vancouver's case, most of the warehouses and distribution centres are located on the banks of the Fraser River which means cargo needs to be trucked from Deltaport or Vanterm and Centerm, constantly. With PATH, a barge takes the container right next to the distribution centre and reduces the distance of that truck trip by no longer having to navigate the increasingly congested roads of the Lower Mainland.

For rail, when the cargo is unloaded from the ship, it will sit at the terminal for an average of 2.8 days (a typical dwell time). It is sitting on some of the most expensive real estate in North America. By going through PATH, it will have an

average dwell time of 1.8 days with a 24-hour transit from Port Alberni to match the arrival time of the train so that the container gets loaded right from the barge to the train. And we can deliver the cargo in bite-size chunks and do a 'milk run' to all of the terminals in the Lower Mainland. Cargo could be delivered just in time, where needed and in the quantity that the offloading facility can handle. PATH will be able to pre-sort all of the cargo as market demands and deliver it to the closest point to the end user, thus significantly reducing the land transportation cost. I like to say that any paved parking lot becomes a possible transfer terminal on the vast coastline of the Salish Sea area from Squamish to Olympia.

The **third** prong of savings is at the PATH terminal itself. This will be among

the most modern automated container terminals in North America. Ship-to-shore container discharge will be done with the most modern dual-hoist dual-trolley container cranes and PATH will be able to handle 6,000-plus containers in 24-hour period. Once offloaded from the ship, containers will be whisked to a fully automated container yard by AGV (automated guided vehicles) and an automated stacking crane to a final resting point. A container will be sitting there, on probably what is the least expensive land throughout the network, until required to be moved again using a reverse process. The terminal operating cost of PATH would be at least one-third of what the handling costs are in existing conventional terminals in the Pacific Northwest, and, even though it's an automated terminal, I have a letter of support and endorsement from ILWU Canada.

The **fourth** prong is Vancouver Island itself. The population of Vancouver Island is currently about 780,000 people. Within the next decade or so, that number is expected to grow to one million. It's a large market in its own right. Right now, everything is shipped back and forth from

portalberniportauthority.ca

Port Alberni *

Proposed Port Alberni Trans-shipment Hub (PATH)

Vancouver

Seattle

Advantages to locating a new Trans-shipment Hub in Alberni Inlet:

- Closest Sailing Point to Pacific Northwest
- Environmental benefits
- Maximize Use of Port and Transportation Infrastructure
- Reduce Traffic Congestion
- Land Reserve for Industrial Use
- Draft & Waterway
- Use of Marine Highway
- Competition-neutral
- Security
- Growing Vancouver Island Population Base
- Warehouse Space

the Lower Mainland to the Island. Here's just one example of what happens: There is a company just outside of Port Alberni that moves about 6,000 FEUs of lumber annually to Asia. Right now, they load lumber packs on a flatbed truck which is shipped (via BC Ferries) to a warehouse in Surrey where it gets unloaded. Then a container truck goes to Deltaport or Vanterm, picks up an empty container, takes it to the warehouse, waits for the lumber to be loaded and then goes back to the terminal to drop it off. Essentially, that's five truck trips for one container load coming from Vancouver Island. It adds congestion and increases CO₂ emissions on the busy streets in Vancouver.

We did a study in 2013/2014 where we asked those operating in the forest products industry within a 100-kilometre radius of Port Alberni to identify obstacles for getting their product to market and without exception, every single one noted costs in shipping. The forestry sector is B.C.'s largest export industry. More than 33 per cent of everything we export is a wood-related product. In the ever-competitive and changing global market economy, we are seriously affecting our ability to cost-effectively market our most sought-after product.

It costs roughly \$1,000 more for each FEU shipped from the Island versus the one shipped from the Lower Mainland and it costs at least \$1,000 more for each container of cargo produced on the Island, transported to the Lower Mainland by truck or ferry, and loaded onto container ship which will pass by the Alberni Inlet a few weeks later on its way to Asia.

Just based on these savings alone, PATH indicates a lucrative business venture.

The examples I've just given you are focused on straight economics. If we look at the savings from an environmental viewpoint, the argument gets even stronger. SNC Lavalin did a study and, assuming 200,000 TEUs, the study estimated a savings of 14.5 million truck kilometers annually. That's removing 22,000 tonnes of CO₂ emissions from the Lower Mainland. The same study determined that commuters using the Massey Tunnel alone would be able to save \$76 million a year.

Soft benefits are not just limited to environmental savings and the positive impact on the environment. Benefits of security and safety would also be enabled by PATH. Both the U.S. & Canada would be able to screen containers (including those with hazardous goods) sooner and

Advancing Safety

Driven by Innovation





Photo credit: BC Shipping News

Zoran with Mark Gordienko, President, ILWU Canada.

further away from urban centres. The recent fire at Centerm was a very unfortunate example of what could happen with hazardous materials in containers located within a densely populated area.

Even though PATH would be an automated terminal, it will still require a large operating workforce. At 25-per-cent capacity, it will still require around 400 full-time jobs and will pave the way for the further development and growth of Vancouver Island.

PATH will also provide resiliency to the APGCI (Asia-Pacific Gateway Corridor Initiative) as an alternative to any disruptions to the transportation chain, whether caused by natural disasters or man-made ones.

PATH will enable the short-sea shipping industry to grow so we can move more goods more efficiently to areas with the least impact to communities. We need bike lanes and truck lanes, they are both equally important. It's up to us to find a balance and PATH provides that balance.

BCSN: *What sort of reaction are you getting from the community about PATH?*

ZK: Support from the community has been overwhelmingly positive — especially with First Nations where we have a Protocol Agreement in place with the Huu-ay-aht First Nation. We also have letters of support from a number of communities across Vancouver Island. They see this as very beneficial if not crucial for the entire Island.

BCSN: *I'd like to touch on the capacity for PATH and whether you think this will be too excessive given Port Metro Vancouver's plans for T2 and Prince Rupert's expansion of Fairview Terminal.*

ZK: Capacity essentially boils down to how fast you can move containers in and out. Given the automation of the terminal and if you keep the barges arriving consistently. I would venture to say our capacity could be as much as four million TEUs.

In terms of excess capacity, looking at the Fairview expansion first — that's essentially a separate gateway that services predominantly Eastern Canada and the U.S. Midwest and is a single line in/single line out that is dependent on rail for its growth. I don't see them being affected by PATH as the concept focuses on the optimization of the existing transportation chain in the Salish Sea area — Vancouver, Seattle-Tacoma and Vancouver Island — PATH's hinterland of about eight million people.

For Port Metro Vancouver, their studies show that container volumes are expected to grow to seven million TEUs by 2030 — they were just shy of three million last year and are expected to continue with that pace of growth. Seattle-Tacoma was over

three million last year. I believe strongly that T2 needs a "relief valve" like PATH in order for it to operate properly. Daily truck traffic alone is expected to surpass 7,000 trucks from the combined operations at Deltaport and T2 — at peak hours, they will exceed 1,000 trucks per hour. By taking barges from PATH directly to warehouses and distribution centres on the Fraser River, the Roberts Bank corridor would be able to handle the remaining truck traffic more efficiently.

I worked at Deltaport for 12 years. It's designed, and works like a charm, when it has empty rail cars waiting to do a direct transfer from vessel to rail or load/offload rail directly from the water. Deltaport has probably the best rail car utilization in North America because of its design, which works best when there are empty cars. PATH will enable Deltaport to virtually have empty rail cars all the time for its cargo. T2 is required and we will need it to meet growth, however I don't believe it can operate without PATH or a similar concept to move containers more efficiently and reduce the impacts of trucking.

For Vanterm and Centerm, both have limited areas for growth and it's difficult to move cargo in and out of such congested locations. PATH will provide a platform to deliver container cargo in

About Zoran Knezevic

Born and raised in Eastern Europe—Montenegro, Zoran's career within the maritime industry started as a Merchant Marine with the (then) Yugoslavian shipping company Prekookeanska plovidba which took him aboard various types of vessels including commercial and passenger ferries, bulk carriers, container and general cargo vessels. He immigrated to Canada in 1992, where he began his on-shore career with Cast Terminal in Montreal.

After moving to Vancouver, B.C., in 1997, Zoran joined with TSI Terminal Systems Inc. where he spent 12 years in various roles at Deltaport Terminal — first as a ship planner, then as Operations Superintendent and finally as Senior Operations Manager where he was responsible for day-to-day operations of the largest container terminal in Canada and responsible for a staff of over 400.

In 2010, Zoran moved over to SMIT Marine Canada where he was the Harbour Towage Manager for Southern B.C. He was also the Vice President, Operations, for Harbour Link, responsible for the efficient and cost-effective daily operations of the off-dock, trucking and drayage facility. During his time at SMIT and Harbour Link, he was also an independent consultant with PortSide Solutions and worked with marine transportation companies on several projects.

As a high-calibre, seasoned marine transportation manager with over 20 years of professional experience, Zoran was hired as President and CEO of Port Alberni Port Authority in July 2012.

Zoran currently lives in Port Alberni with his wife, three children and his mother. His oldest daughter is enrolled in the University of Victoria.



Photo credit: Dave Roels

bite-size portions, streamlined to maximize the footprint usage of the facilities in the downtown area.

PATH would further enhance the opportunity to more efficiently reach the warehouses and distribution centres upstream along the Fraser River and reduce the negative impact on the increasingly densified residential and commercial areas.

The same logic can be applied to the Seattle and Tacoma areas as well. It will reduce and remove cargo from the downtown core in the same way. And let's not forget the Vancouver Island component. If you have one million people by the time PATH is built, that's a lot of consumers. If you estimate that currently, Vancouver Island trades up to a half million TEUs annually with the Lower Mainland and the forecast is for significant growth, the number of TEUs will just increase as well.

BCSN: *If I understand you correctly, you don't see PATH as a competitive threat to T2?*

ZK: I don't believe it is. I strongly believe that ports on the West Coast should be working under the same umbrella. This concept of a 'super port' or "BC Ports" that encompasses the entire West Coast has been raised in the past and I believe there are a lot of benefits to it. Port Metro Vancouver — being as important as they are — is operating in isolation and limiting trade to just the Lower Mainland. It doesn't take advantage of the land elsewhere that's required for expansion. From a holistic view, Canada needs to utilize all of its assets to be able to maintain that economic growth. We have to work together to ensure we stay competitive.

BCSN: *I'd like to spend our last few minutes discussing your leadership strengths and the skills you bring to Port Alberni, especially with terminal operations. You've been in the job for just over three years now, how are you finding it?*

ZK: Yes, absolutely my experience with terminal operations has influenced how I do this job. I'm also a Master Mariner and sailed on various ships for 10 years before settling in Canada. So I understand shipping from the water side — not just containers but all types of cargo.

I spent 12 years at Deltaport, four of which I was the Senior Operations Manager, and before that, superintendent in charge of all operations, traffic flow, gate ship and rail operations. Subsequently, I worked at SMIT Marine, managing the southern B.C. division where I was responsible for the day-to-day operations of all harbour assist and towage in Vancouver Harbour and the Fraser River. I was also at Harbour Link as the VP of Operations — managing day-to-day operations of their fleet of over 80 trucks.

To summarize: my 360-degree work experience in the marine industry does give me a good overview of the marine transportation industry more specific to the West Coast.

When the opportunity to work at the Port Alberni Port Authority came up, I saw a lot of potential for growth. Coupled with my work experience and a strong natural desire to grow business, it made for a great fit. The board has given me great support and, in the interest of the port and the community, I'm hopeful Port Alberni will see some long-term benefits to our work.

I'm really proud of what we've achieved so far. We have created a great team here. Not to single anyone out because they all do a great job but David McCormick, our Director of Public Relations & Business Development has contributed significantly to the success of our port. While most of the staff has been here longer than I have, I think I've brought a new energy and more drive to fully engage all of our members

towards port growth and development. That's been my proudest achievement.

The results of our hard work are paying off for the community by creating more jobs and more opportunities connected to our waterfront. And I believe the community's perception of the port has changed over the last three years — it is much more positive and much more supportive of the initiatives we've been undertaking.

Overall, it's been a really good move for me. I enjoy the work and I really enjoy working with my board, my staff and the community. **BCSN**

About Port Alberni Port Authority

The Port Alberni Port Authority was formed July 1, 1999, as a continuation of the Port Alberni Harbour Commission. Under the *Canada Marine Act*, the Port Authority has mandated jurisdiction of the Alberni Inlet from the Somass River to Tzartus Island.

The inlet is prone to calm waters, is free from any navigational obstacles, is ice-free year round, and offers a direct shipping route to the Pacific Rim. With a length of just over 40 kilometres from the inner harbour and an average width of roughly 1.5 kilometres, the Alberni Inlet can easily accommodate Post-Panamax-size vessels.

Port Alberni Port Authority is responsible for both the day-to-day operations of the harbour, and the long-term development and improvement of the waterfront facilities, including recreational marinas and secondary industries to the extent that these activities are specified in the Port Alberni Port Authority Letters Patent. The Port Authority is committed to working with the community towards economic diversification; its vision is "to be a thriving, diversified international port." The mission of the port is to facilitate profitable maritime trade and marine-related tourism and industry by offering services and leadership that respects both the community and the environment.

Port Alberni Terminals operates three deep-sea berths with a storage assembly area of 17 acres. The terminal has historically handled lumber, pulp, newsprint, plywood and logs. In addition, the Port Authority operates four successful marinas. There are three pleasure craft marinas; Clutesi Haven, China Creek and Harbour Quay, with a total of 543 berths and Fishermen's Harbour for the commercial customers with a total of 500 berths. Along with China Creek Marina, the Port leases lands from the Regional District to operate an adjacent 250-site campground.

The Port Authority manages over 100 leases and land exchange agreements. Property development roles and responsibilities of the Port Authority include the review and awareness of land development opportunities; to review and address property issues; and to administer the leasing, permitting and licensing of tenants and activities along the Crown portion of the Alberni Harbour.



For more information:
www.portalberniportauthority.ca