

# Port Alberni Transshipment Hub (PATH): Business Plan Synopsis

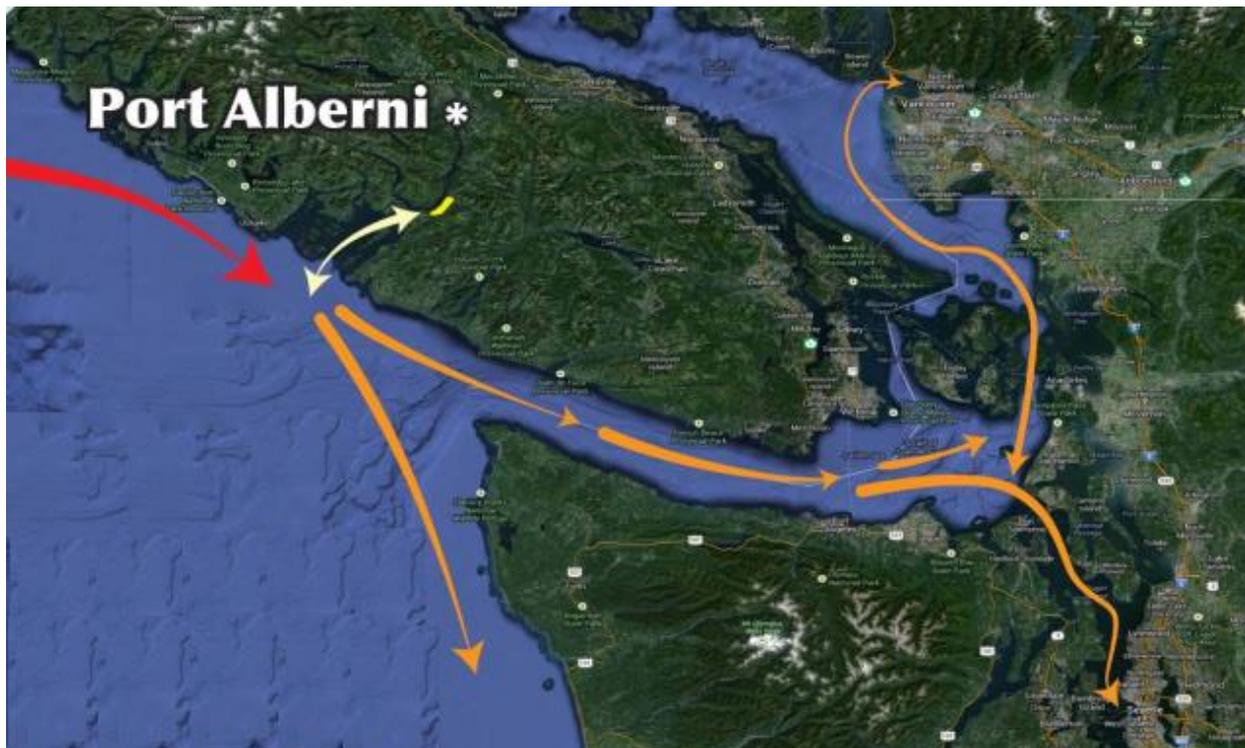
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## I. EXECUTIVE SUMMARY

### A. Project Overview

The Port Alberni Transshipment Hub (PATH) is a proposed new automated container terminal to be constructed in the Alberni Inlet, approximately 20 kilometers from the open waters of the Pacific Ocean. As envisioned, the project would become the largest Container terminal in Canada. The project is premised on a hub- and-spoke container trans-shipment operation concept. The PATH concept envisages a terminal of 250 acres with an annual capacity of up to 5 million TEUs (hub). From PATH, coastal ports and terminals would primarily be served by feeder barge service (spokes).

The location and logistics methodology of PATH creates a vast catchment area of more than 8 million people stretching from Squamish to Tacoma and any point in between by bringing containers to end users' desired closest points. This transshipment model utilizes the most efficient, cost-effective and environmentally-friendly transportation infrastructure: the marine highways of Georgia Strait, Strait of Juan de Fuca, Puget Sound, Howe Sound and Fraser River.



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Port Alberni Port Authority  
2750 Harbour Road  
Port Alberni, British Columbia, Canada  
Tel: 1-250-723-5312  
Email : zknezevic@alberniport.ca  
www.alberniport.ca

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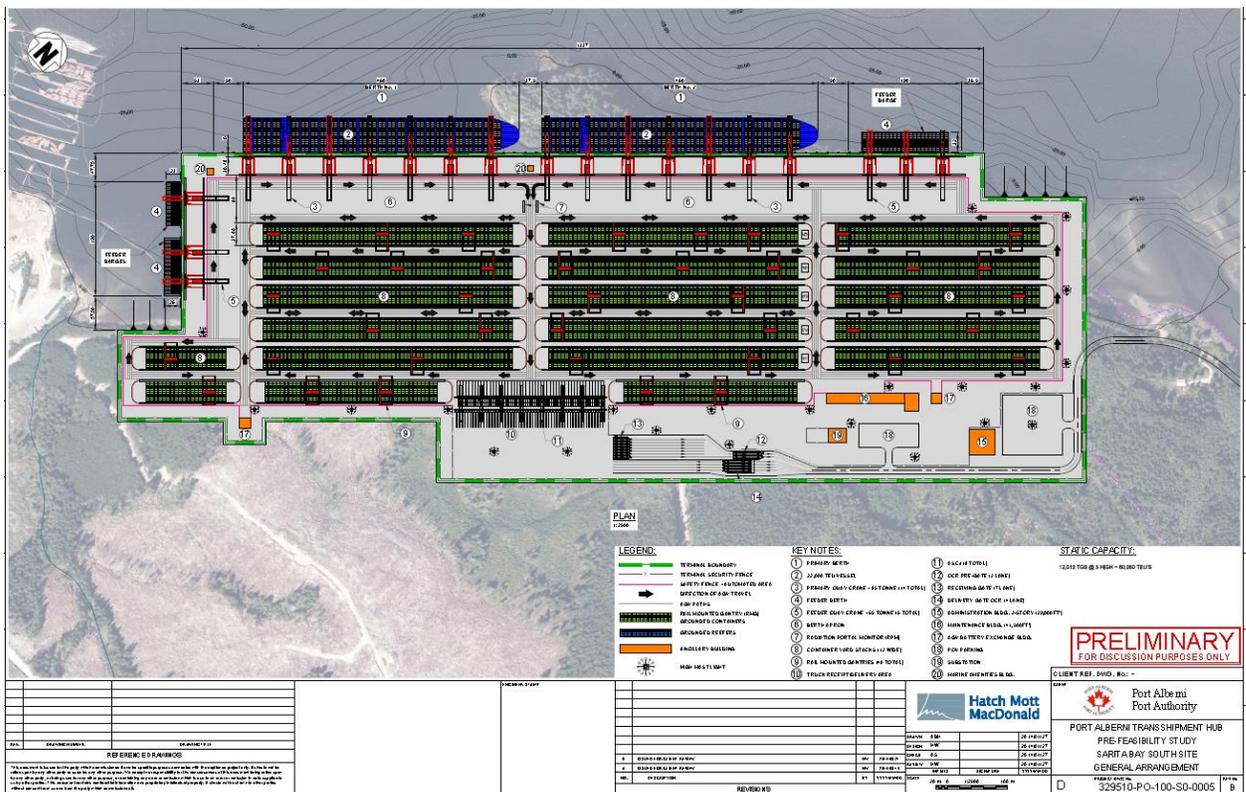
The new terminal would service vessels from the smallest barge up to the 22,000 twenty-foot equivalent unit (TEU) container ships. Estimated cost for PATH is 1.78 Billion CAD including contingency of more than 12%.

The proposed Berth Length of 1800 meters will be able to accommodate 2 x 22,000 TEU's ships at the same time plus 3 barge berths.

PATH will be equipped with state of the art fully automated Container Yard with 43 ASC – Automated Stacking Cranes, 8 Automated Gate Cranes all serviced by battery operated 135 AGV – Automated Guided Vehicles.

PATH berth side operation will be equipped with manned 20 STS – Ship to Shore Cranes - with expected productivity of 6000 containers per 24 hours.

At 50 % capacity PATH is expected to employ in excess of 500 direct FTE.



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## B. Projected Project Return on Investment

PATH would consolidate multiple calls at Pacific North West (PNW) region into a single call and significantly reduce vessel transit and port times. These time savings would additionally enable ocean carriers to offer combined PNW (PATH) and Pacific South West (PSW) (specifically Los Angeles / Long Beach, California) services in order to achieve additional efficiencies.

An estimated 5% of PATH cargo will be local Vancouver Island cargo. The remaining 95% of cargo would be barged to and from container terminals and handling facilities in the Vancouver/Lower Mainland, and Seattle/Tacoma, and other Puget Sound locations. Each barge unit would consist of a tug boat and two barges capable of carrying up to 580 containers each.

Intermodal cargo represents 51% of overall container volumes. Barge schedules would be aligned to ensure that rail import containers arrive just in time for rail loading, thereby eliminating the grounding of containers. Export containers would also be directly loaded onto barges destined for PATH.

PNW cargo represents the remaining 46% of the overall container volume. The majority of this cargo would go to and from container handling facilities that are closest to the end receiver of the cargo.

The business case analyzed four main scenarios:

1. One weekly 14,000 TEU vessel calling at PATH with complete discharge and load-back
2. Two weekly 14,000 TEU vessels calling at PATH with complete discharge and load-back
3. One weekly 14,000 TEU vessel with a combined PNW and PSW service
4. A fourth scenario that combines scenarios 1 and 3 above

The table below shows the results of this analysis:

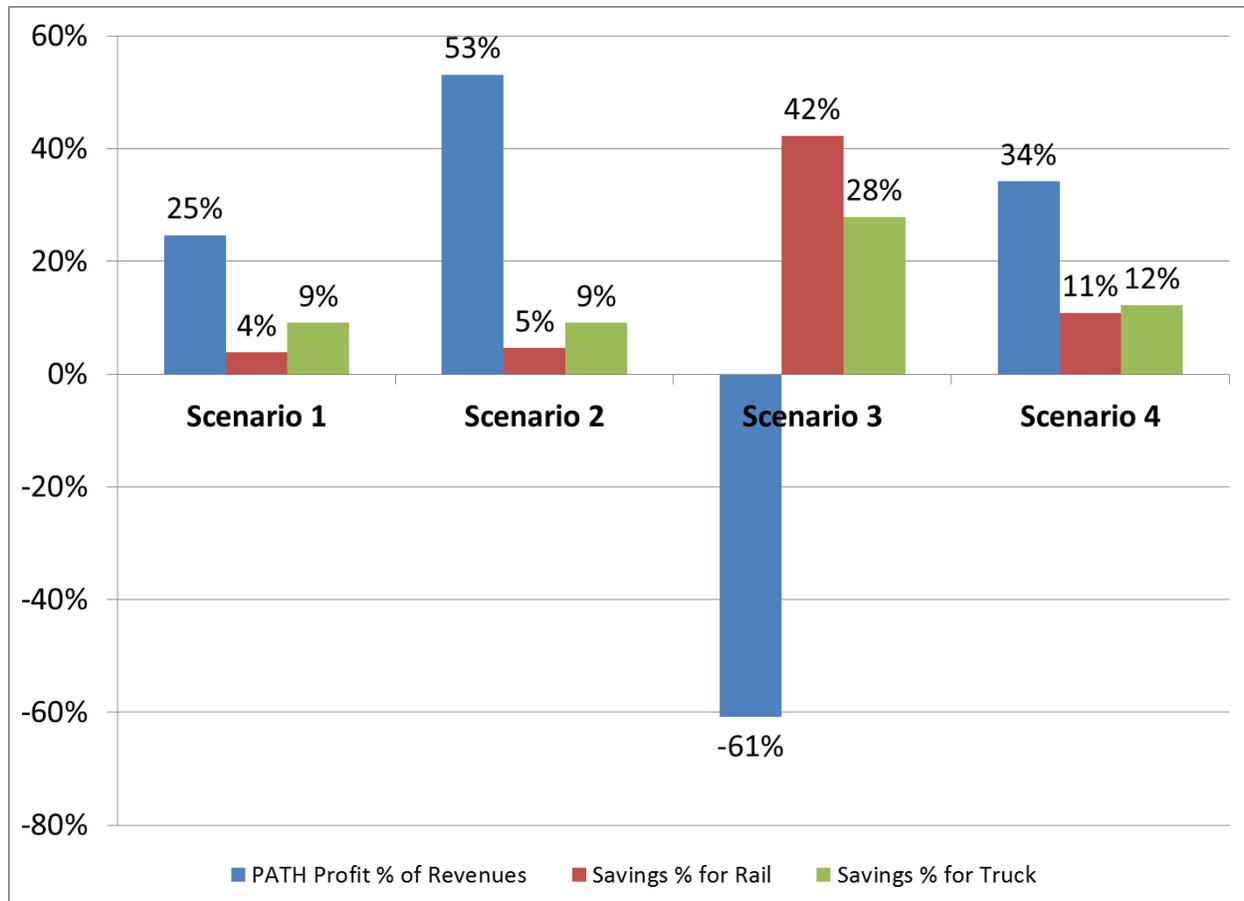
Scenario Comparison	Scenario 1	Scenario 2	Scenario 3	Scenario 4
EBITDA	\$214 million	\$440 million	\$79 million	\$518 million
Profit / Loss	\$68 million	\$294 million	-\$67 million	\$227 million
% savings for Rail/Local	4% / 9 %	5% / 9%	42% / 28%	11% / 12%
% Berth Utilization	21 %	43%	11%	32 %

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The graph below depicts an overview of scenarios analysis:



\*Other scenarios yet to be analyzed that will achieve additional project payback include:

- Additional benefits from larger 20,000+ TEU vessels expected to be in operation when PATH opens
- Phased build-out of PATH facility
- Impacts of low-sulphur fuel regulations coming into effect in 2015
- Distribution centres on Vancouver Island
- Direct loading at CNR / CPR intermodal yards
- Full-cycle benefits for transloading facilities (including empty container delivery/pick-up via barge)

## II. ADDITIONAL PROJECTED PROJECT BENEFITS

PATH offers a number of economic, environmental and social benefits which both directly and indirectly achieve benefits beyond those currently being constrained under the current shipping model on Canada's west coast. The projected project benefits extend beyond the direct business and investor metrics to throughout the entire project region, province and country of Canada as a whole. It is such benefits that are attractive to both private and government sectors which are critical to develop the project.

Such direct industry projected benefits include:

- Reduce ocean-going vessels' Asia - Pacific Northwest turnaround sailing time + 3 days
- Cost savings of \$30 per TEU in PNW service
- Cost Savings of \$ 143 per TEU for PNW combined
- Cost Savings of \$96 per TEU for PNW & PSW combined
- Cost Savings for Vancouver Island Cargo of more than \$500 per TEU
- 15 million fewer truck kilometers in lower Mainland
- Enabling the broader and more direct distribution of containers to coastal and inland terminals
- Unlocking container handling capacity in restricted areas due to low draft, lack of infrastructure or equipment and significantly increasing overall container handling capacity for the region

Such other benefits over the life of the project that are important to the public interests of the project's region, province and country of Canada include:

Increase to Canada's GDP by \$21.3 Billion (\$2.3B outside of BC)

- Increased tax revenue of \$1.6 Billion (\$200M outside of BC)
- Creation of 288,079 FTE new jobs across Canada (28,000+ outside of BC)
- Reduction of 22,000 Tons of Carbon Dioxide per annum
- Reduction of 470 tons of Nitrogen Oxides per year
- 16 tons of sulfur emissions less per year
- Sample projected savings to congestion, traffic patterns and emissions in the Greater Vancouver / Lower Mainland area of British Columbia are expected to be \$74.6 Million per year.

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## **III. COMPANY BACKGROUND**

The Port Alberni Port Authority (PAPA) is the primary proponent of this project. It is located in the City of Port Alberni, British Columbia, Canada at the head of the Alberni Inlet.

PAPA is one of 18 Canadian Port Authorities, incorporated as such, by an Act of Canadian Parliament under its Letters Patent in 1999.

Prior to becoming a Canadian Port Authority the organization operated as a Harbour Commission for over 5 decades where it primarily served the local area's forest industry and related products, such as lumber, logs, paper, and pulp for export markets in Asia. Historically and currently, as both a Harbour Commission and Canadian Port Authority, PAPA has operated a commercial fishing marina; three recreational marinas and a campground.

PAPA continues to serve the region's lumber and log export industry while working to strengthen and expand its relationships both within the forest industry and beyond to attract various commodities, value-added fish processing and tourism-related businesses. However, our primary goal is to see the achievement of PATH.

## **IV. MANAGEMENT AND PERSONNEL**

PAPA is managed by small, but effective, team of professionals with a vast amount of expertise in their respective fields. The organization is governed by a seven-member board of directors who are appointed by user groups as well from the local, provincial and national government.

The ultimate oversight of PATH will be determined by the preferences of the various parties that will invest in the project. PAPA will expect to have direct involvement as it has both created the vision and is responsible for the shipping waters of the Alberni Inlet. However, the form and function of the management team and the governance of the PATH terminals is open to negotiation.