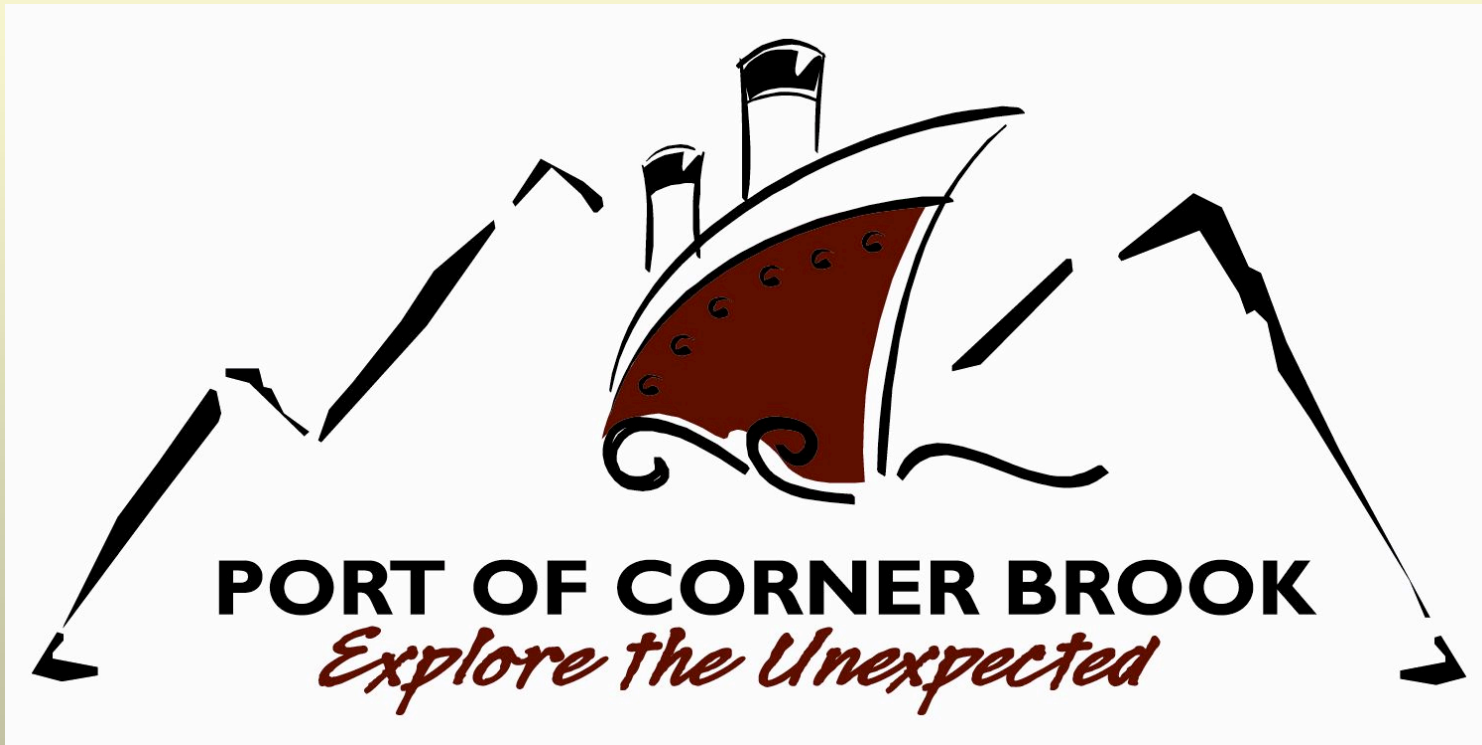


Corner Brook Port Corporation



St. John's, NL
May 30, 2007

Nov 19, 2004 - Divestiture

Corner Brook Port Corporation

- Background on corporation and its mandate
- The past two years
 - Operations
 - Finances
- 2007 Issues
 - Feasibility Study
 - Infrastructure projects
 - Buildings & Land
- Strategic plans for future

CORNER BROOK PORT CORPORATION

- Started as Port Committee initiated by Corner Brook Chamber of Commerce and other stakeholders
- Incorporated in 2001 under the laws of Newfoundland
- Non-profit entity whereby the profits generated from operations are re-invested back into the port, and the shareholders realize no individual gains

Authority vs. Corporation

- Port Authorities are under the regulation of the Canada Marine Act
 - Do not own the port, but manage and operate the port as agencies of the crown
- Port Corporations obtain ownership of the port lands and seabed, but not the water rights
 - Manage and operate the port for the benefit of the shareholders

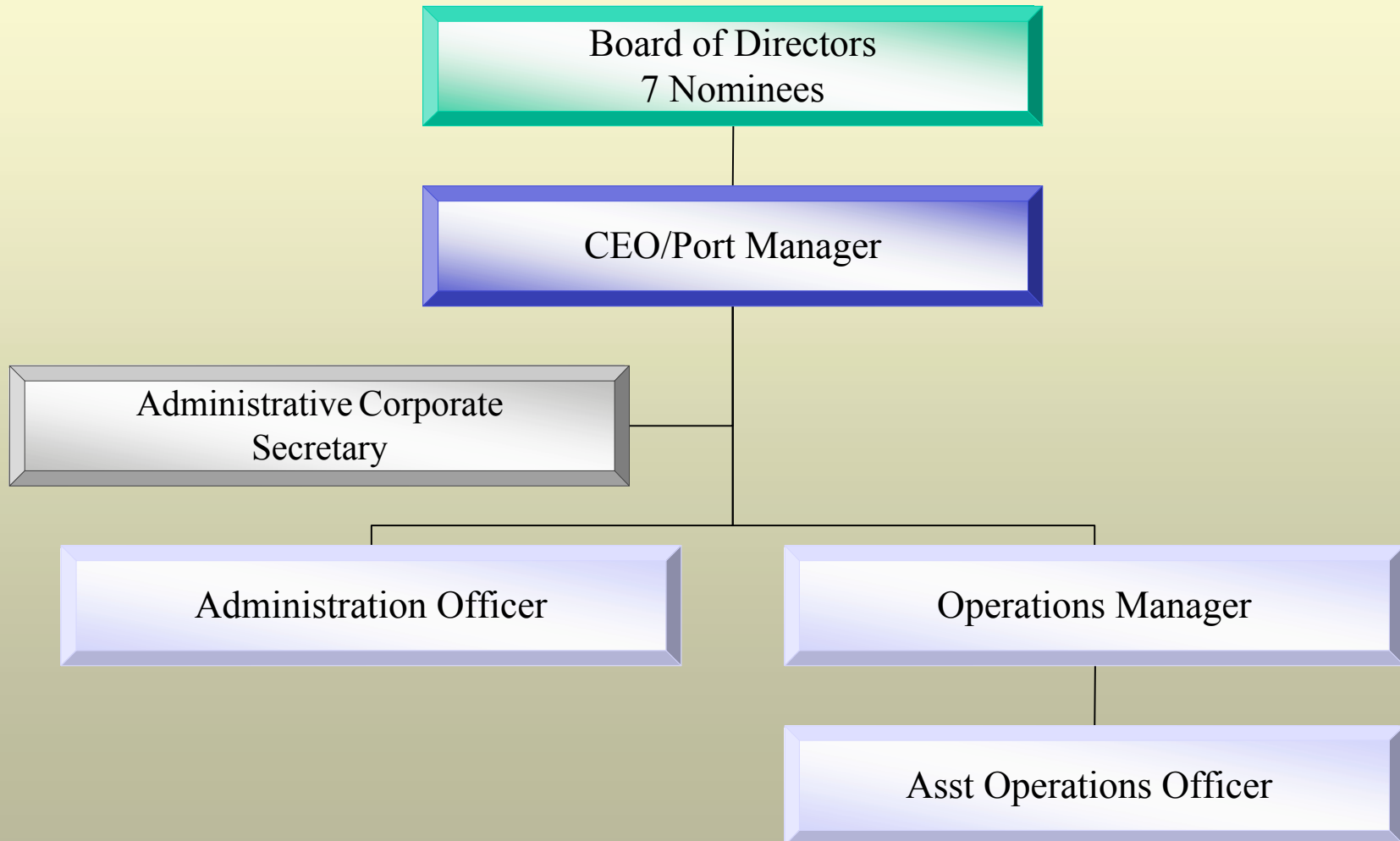
*The Mandate – Draft – under discussion
Corner Brook Port Corporation*

*To ensure the growth and development
of high quality ocean transportation
and distribution services.*

*To enhance the economic well being of
Western and Northern Newfoundland
and Labrador.*

*To operate as a commercially viable
not-for-profit entity .*

CBPC Structure



Port of Corner Brook Facilities obtained through divestiture

Container Terminal Wharf - Built in 1959, 1969, 1989

361 meters long; 10 meter draft

two 220 tonne crane pads, inclined ramp

Transit Shed – (26,000 sq. ft.) 94% is currently leased

Office Building – (3,200 sq. ft) 86% is currently leased

Upland – Container Yard

18,940 sq. meters

- is currently leased

4 hectares of original

& manmade upland.

Waterlot Leases & Seabed



2007 - CN Lands

- Required for container yard and expansion space to permit development of additional industrial activity on the waterfront
- Our focus is to use this land for developments that need to be on the waterfront to proceed. We have limited waterfront space and need to ensure that we maximize the revenue generating potential of this property to create regional economic spin-off.





- located 35 kilometers from the Gulf of St. Lawrence
- important commercial distribution hub, with good highway interface to province
- very large, sheltered deep water port with a large turning basin, and dockside depth of 10 meters; year round navigation, with assistance of occasional icebreaking services
- well positioned to access the St. Lawrence on the routing from North to South in eastern North America
- customs authorized port with Transport Canada approved security plan

Users of The Corporation

Wharf Facilities

Oceanex, Barry's, Corner Brook Pulp & Paper
Salt Ships, Coast Guard and Navy Vessels
Cruise Ships and occasional users



Users of Private Facilities

Corner Brook Pulp & Paper - exports paper products; imports bunker C, chemicals, recycled paper

Imperial Oil, Irving Oil, Ultramar Canada - import petroleum products

St. Lawrence Cement/Lafarge - export cement

Barry's Limited - land fish for processing



Post - Divestiture Activities

- Developing Organization/Policies/Procedures
- Restructuring board/Revising By Laws
- Developing Marketing Plan & Materials
- Developing/Implementing Port Security Plan
- Reviewing Rates/Tariffs
- Hosting Cruise (2005–12 bookings, 2006 – 6, 2007- 9bookings)
- Feasibility study -short sea shipping routes – NB
- Acquiring the CN Property
- Capital Plan and Projects – pile jacketing
- Building relationships with tenants and port users
- Reviewing new business opportunities
- Developing expansion plans & long term goals

Contribution Fund - \$15,036,000

- Contribution funds must be applied to
 - eligible expenditures directly related to the operation of the port
 - eligible capital projects designed to bring existing port property up to minimum safety or operating standards.
- Translation: ongoing operations and maintenance of transferred property only
- Not allowed to spend on new capital projects or operation of expanded property

Transport Canada Requirements

- Annual Certification to Minister that funds have been applied to eligible expenditures directly related to port operations
- Subject to regular verification - books and records open for audit and inspection for six years after agreement ends- Funds spent within 15 years.
- Contribution funds accounted for separately from other revenues and expenditures
- Funds repayable if not spent on eligible expenditures or if conditions of transfer agreements are not met or unspent at end of term

Financial Summary

- Original contribution - \$15,036,000
- Eligible Expenditures 2004-2006 \$ 1,639,733
- Ineligible expenses 142,837
- Contribution Fund Dec 31/06 \$ 13,396,267
- Investments and Banks Dec 31/06 \$ 15,043,470
- Total Operating Revenue 2004-2006 \$ 1,385,703
- Total Interest Income 2004-2006 \$ 1,011,595
- Pile Jacketing and wharf maintenance will consume the bulk of these funds.

The Financial Challenge

Long term sustainability

- To ensure that the Port of Corner Brook generates sufficient operating revenue to cover ongoing operations, maintenance, future growth and capital
- Contribution funds and interest income are temporary sources of revenue – we must develop new revenue streams to replace these sources which are temporary

Feasibility Study – Service to New Brunswick – Phase 1

- Developed a costing model to determine the financial viability of a trailer service from Corner Brook to Belledune
- Operating Cost – Various ship sizes – at capacity of vessel
 - Determined total cost for each vessel based on operating speed, vessel charter rates, fuel consumption, Pilotage, line handling, stevedoring and port costs, ice breaking and marine service fees, cargo insurance, port fees, line operator's markup.
 - Costs used to determine a per trip and a per trailer cost for each vessel, considering speed and capacity of each vessel
 - Distances for nine cargo routings, trucking rates, Oceanex Through rates and Marine Atlantic rates all considered in the costing model
 - Compared route combinations – Montreal/Toronto/Moncton to four NL destinations St. John's, Stephenville, St. Anthony, Grand Falls
 - Costs for various route combinations were developed and compared to costs on existing routes.

Feasibility Study – Conclusions

- Financial analysis showed that the total routing costs for units originating from Toronto and Montreal to all of the NL destinations through the proposed service was generally competitive with the Marine Atlantic route for all vessels used in the costing
- The vessels could not compete with the Oceanex rates, or on the units originating from Moncton for the MAI route.
- The larger vessels had greater savings over the Marine Atlantic routes for units originating in Toronto and Montreal but not Moncton, but still could not compete with the Oceanex rates
- The greater the trucking distance the higher the savings
- As expected, the larger vessels had lower cost per container and therefore greater savings.

Feasibility Issues

- Savings for the NB service was marginal – not significant enough to induce shippers to switch to this service (savings 10-15% larger ships)
- Would require investment in assets for trucking companies to set up additional depots in Belledune and Corner Brook to service trucking requirements while they still have to keep existing setup for daily service
- NB service is still a twice week service competing with a twice daily service
- Shipping companies will still have to use MAI to meet their schedules, so it creates logistical issues if they have to deal with two services

NB Service Conclusions

- Not a viable business opportunity with the current cost of ships, import tariffs, fuel and operating costs
- Fully containerized lo-lo vessel more efficient to operate than a ro-ro service
- Confirmed worldwide experience that larger ships can avail of economies of scale to achieve lower costs per trailer and that ocean transportation is cheaper than overland methods.
- Best opportunity for Corner Brook is to work on improving service offered by Oceanex Inc. to attract more users to this service

Phase 2 Study

- Review market to identify more opportunities for shippers to avail of Oceanex service
- If we can identify more tonnage, it may encourage Oceanex to increase service
- Improve attractiveness of service by offering additional destinations/frequency
- For example – a direct service to Montreal would offer faster service, and the opportunity to use larger, more efficient containers reducing transportation costs
- Lower costs attract more users
- Determine ways to improve our efficiency

Infrastructure Improvements

- Replacement of crane is top priority
 - Preventing us from improving service
 - Affects reliability and efficiency
- Would allow us to
 - Service larger ships such as the Avalon
 - Load larger containers and flat racks
 - Open export opportunities for manufacturers
 - Access additional routes through Oceanex, ie. Montreal

Electro Hydraulic Fixed Cargo Crane

- Dock construction has two reinforced pads to accommodate weight of crane; dock will not support mobile crane off the pad.
- Fixed crane encased in concrete would have lift capacity of 40k tonne at a 33m radius; greater lift capacity at less reach.
- Crane Cost EUR 921,000 plus installation of \$350,000
- Reinforcement of crane pad - \$1,000,000
- Total project with exchange contingency \$3,260,500



Wharf Improvements

- Pile Jacketing – 1969 section has 871 steel piles filled with concrete. In 2006 divers jacketed 44 piles at a cost of \$270,000 and will do the final 52 piles under the 1969 section this year. (tendered at \$484,575)
- 1989 section has 509 piles – none are jacketed.
- In 2007 divers will jacket one of the two crane pads under the 1989 section, at an approximate cost of \$1,000,000 depending on how many piles need jacketing to the seabed
- Under divestiture program, TC did not identify jacketing of the 1989 section as a priority, however we feel jacketing should be done prior to erosion taking place.
- Budgeted \$75,000 in current year for repairs to fenders
- Majority of \$15,000,000 will be spent under the wharf
- Maintenance will be still be required after these funds used

Building Improvements

- Former Roundhouse – structural repairs, windows, doors, siding, floor, minor roof repairs
- Clarke Building – complete roof, loading doors, other improvements depending on final use of building
- Transit Shed – refurbishment under consideration, potential for passenger facilities, inside market area, offices, restaurant, extension to construct maintenance garage. Determined by needs.



Site Improvements

- Expansion of container yard
- Additional fencing and gates to encompass expanded container yard
- Relocation of car compound to facilitate yard expansion
- Access road improvements – placement of armour stone and guide rail, asphalt repairs



The Future

- Strategic Planning - consultation with stakeholders – port users, tenants, business community, City Council, community in general – determine their expectations
- Determine our course of action – best use of limited dockside land to ensure we maximize the potential revenue generated from our assets
- Infrastructure investment – crane, land & buildings
- Wharf Maintenance – Continued pile jacketing of 1969/89 sections and crane pad
- Build partnerships with businesses such as Oceanex, Barry Group, Corner Brook Pulp and Paper and others as new opportunities arise

Atlantic Gateway

- We are very interested in discussing opportunities open to our port and Newfoundland and Labrador through the development of the Atlantic Gateway
- Hope that businesses and manufacturers in NL will see this development as an opportunity to access markets outside NL
- From the port perspective, we will work to ensure we have the infrastructure available to meet the shipping needs necessary to access more markets
- Together we have to ensure that we create more opportunities for NL to benefit from this initiative
- Explore opportunities for short sea shipping, trans-shipment terminals, and oil and gas opportunities.

Thank you!

