



the new world port

community update

A NEWS REPORT FROM THE PRINCE RUPERT PORT AUTHORITY

WWW.RUPERTPORT.COM

SUMMER 2006

BREAKING WAVES



CONTAINER PROJECT CONTRACTS AWARDED

The Prince Rupert Port Authority has awarded six major contracts to date this year for the Fairview Container Port construction project:

- \$1.1 million to JACO Powerlines Ltd. in August to install 4.5 km of 69 Kv powerlines parallel to the existing powerlines to the terminal.
- \$7.5 million to the Ledcor Group of Companies in June for the design and construction of an administration building and specialized maintenance facility.
- \$41.4 million contract in May to a BA Blacktop Ltd./Pennecon Ltd. Joint Venture to convert the former break-bulk facility into a container terminal.
- \$3.5 million electrical supply contract in May to Babco Electric Group Inc. to engineer, manufacture and install an integrated electrical system to power the new container port.
- \$32.0 million to a Fraser River Pile & Dredge/Western Industrial Contractors Joint Venture in January to construct a 20 metre by 386 metre wharf extension to accommodate six 1,800-tonne super-post-Panamax cranes.
- \$2.0 million to Pipe & Pile Supplies in October 2005 for 100 steel piles.

RIDLEY TERMINALS FORTUNES IMPROVING

The Canadian Government approved Ridley Terminal's (RTI) new corporate business plan in June, finally allowing RTI to negotiate long-term contracts. As a result, RTI has signed agreements to handle sulphur pellets as well as a 10-year deal to handle coal from the new Wolverine mine in northeastern B.C. starting this fall. RTI is on target to handle four million tonnes of coal for 2006, compared to 1.2 million tonnes in 2005. RTI has increased its workforce from 42 to a current total of 60 employees over the past year. For more information, visit: www.rti.ca.

PRINCE RUPERT GRAIN HAS BEST YEAR SINCE 1998

Prince Rupert Grain (PRG) shipped 4.1 million tonnes in the fiscal year ending July 31, its best year since 1998. PRG credits the adjustment of rail parity rates to match those to the Port of Vancouver for the increase in tonnage. PRG has also expanded its product mix to include canola and more durum wheat. PRG's workforce has also grown by nine employees over the past year, all local hires.

PORT DONATES \$25,000 TO MILLENNIUM WALKWAY

The Prince Rupert Port contributed \$25,000 toward the completion of the Millennium Waterfront Walkway, connecting Kwiinita Station to the Uplands Development and the overhead path from the Museum of Northern British Columbia to Mariner's Park. The walkway, extensively used by local walkers and joggers, supports the continued growth and enhancement of the waterfront in Prince Rupert and was completed in time for the 2006 cruise season.

PRPA BOARD OF DIRECTORS APPOINTMENTS

Dale MacLean New PRPA Board Chairman



Dale MacLean has been elected by the Prince Rupert Port Authority Board of Directors as the new Chairman of the Board. Mr. MacLean, appointed to the Board in 2004 by the Province of British Columbia, is Executive Vice President & General Manager of Taymor Industries Ltd in Vancouver. He brings 27 years of experience in the transportation, logistics and manufacturing industries, including with CN and BC Rail.

Frank De Bartolo New Municipal Government Appointee

Frank De Bartolo is the new Municipal Government appointee for the City of Prince Rupert & District of Port Edward. He is currently a negotiator/facilitator on the Pulp, Paper & Woodworkers of Canada national executive board. A tradesperson by profession, Mr. De Bartolo has served on the Heavy Industry Training Advisory Council and is involved with the Pacific Northwest Gateway Skills Initiative.



For more information, visit www.rupertport.com.



Prince Rupert Container Port Construction on Schedule and Budget

The construction of the Fairview Container Terminal is proceeding on schedule and on budget.

To date, the Prince Rupert Port Authority has awarded five major contracts and a number of smaller contracts totaling over \$90 million toward the Fall 2007 completion of the \$110 million Phase 1 construction project.

The project has achieved a number of major milestones including:

- First pile load test completed to ensure the strength and stability of the piles to safely accommodate up to six 1,800 tonne gantry cranes and their 65-tonne lift capacity.
- Cope wall drilling completed, consisting of 4 km of holes to house steel dowels to connect the wharf to the 20 m by 360 m wharf extension.
- Reached the halfway point of pile installation with 45 steel piles installed, including drilling each pile six metres into bedrock and filling with concrete.
- Half of the landside crane beam support wall has been completed and backfilled.

Local & Regional Benefits Realized

Contractors have been hiring and buying products and services locally or regionally wherever possible.

Site project offices report they have received ample numbers of local resumes from qualified workers to fill available openings. Some offices have over 300 applications on file from which to choose as the projects move into different stages. In August, there were 108

personnel on site including 53 (50%) local workers.

In addition, an estimated 25-35% of required services and supplies have been sourced locally or regionally. These range from concrete, gravel trucks, building supplies and mobile cranes to apartments, hotels and restaurants.

24-hour Hot Line Just 'Chillin'

Efforts by the Port and contractors to minimize impacts of construction activities on residents, such as using vibration instead of hammer pile driving, appear to be working. A 24-hour call-in line (627-5089) set up in early May for the community to communicate their concerns has received no calls to date.

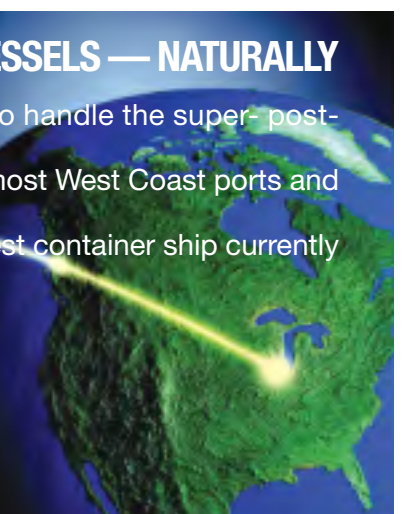
The Port has received several inquiries about provisions to manage noise levels when the container terminal is operating, such as reverse signal alarms on moving equipment and terminal lighting levels. The new lighting system is designed to focus light downward and within the footprint of the terminal's surface area to ensure it doesn't interfere with marine navigation while significantly reducing potential 'light pollution' to nearby residents.

While steps are being taken to minimize noise levels, residents also need to be aware that terminal operations must adhere to both international marine safety standards and provincial safety regulations, including specific alarm levels on moving equipment, to protect workers. In addition, the Port doesn't expect the noise level to differ much at the container terminal than its previous operation as a break-bulk terminal.

STRATEGIC ADVANTAGE: DEEPEST WEST COAST HARBOUR FOR BIGGEST CONTAINER VESSELS — NATURALLY

The American Association of Port Authorities suggests channels should be up to 53 feet (17 metres) to handle the super-post-Panamax container ships. Prince Rupert's naturally deep channel is 35-44 m, more than double that of most West Coast ports and capable of handling super-post-Panamax vessels of up to 12,500 TEUs (20-ft equivalent units). The largest container ship currently operating is less than 10,000 TEUs.

Port	Inner Harbour (metres)	Depth at wharf (metres)
Prince Rupert	35-44	16
Vancouver	15	15.2
Oakland	15.2	15.2
Los Angeles	16	16



NEW WORLD MARKETS

PACIFIC GATEWAY STRATEGY

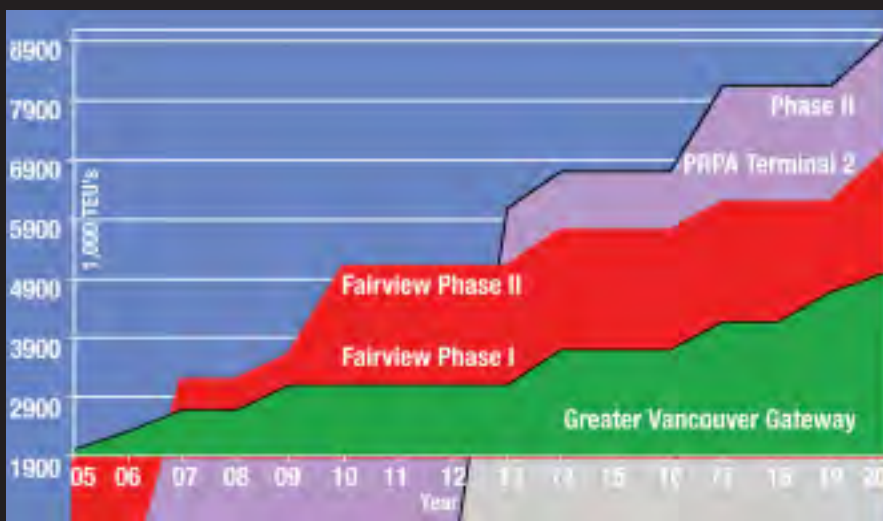
Prince Rupert Port's Focus is 2020

China is Canada's second largest trading partner and B.C.'s largest offshore trading partner. By 2020, China is forecast to be the world's second largest economy and a key driver of Asia-Pacific trade expansion, with container traffic projected to increase by 300%, according to the Pacific Gateway Strategy (PGS) Action Plan.

Canada's west coast ports have tremendous potential to capitalize on these growing markets. In 2003, the ports handled 1.8 million TEUs (20-foot equivalent units) of the total 19.2 million in North American west coast container traffic from Asia, for a 9.4% market share. In 2005, B.C. ports handled 2.1 million TEUs of 23 million, for a 9.3% market share. However, competing U.S. ports are experiencing much higher increases in trade volumes, including a 16-17% increase in 2005 over 2004 levels compared to about six per cent at Vancouver ports.

The Pacific Gateway Strategy has set a target of capturing at least nine million TEUs by 2020, for a 17% market share. With a competitive edge of being more than one-day sailing time faster from Asia and greater expansion capacity than Vancouver, the Prince Rupert Port is well-positioned to help achieve this target. The Port's goal is to capture 50% of the nine million TEUs forecasted by 2020.

Pacific Gateway Projections:
Container Capacity to Port Growth
(',000 TEUs)



People's Republic of China Delegation:

'Prince Rupert is Very Important to China'

China's Vancouver-based Consul General, **Tian Chynyan**, led a delegation to Prince Rupert in early August to learn more about the Port and region, identify current projects with cooperative opportunities and explore future economic opportunities.

Madame Chynyan says the Port of Prince Rupert is very important to China and her government wishes to support the Port in achieving its true potential.



Port President & CEO Don Krusel (centre) with People's Republic of China delegation. Left to right: Julie Liu, Chinese Business Development Association Vice Chairwoman; Tian Chynyan, Consul General; Juang Wei, Office of Commerce Consul; Qiu Weiwei, Public Relations Counsel

BUSINESS DEVELOPMENT

On the



Approval Process Begins for Ridley Island LNG Terminal

WestPac LNG Corporation has launched the environmental assessment and regulatory review process to build a \$350 million Liquefied Natural Gas (LNG) receipt and transshipment terminal on the Ridley Island industrial complex.

WestPac has entered into a Memorandum of Understanding with the Prince Rupert Port Authority for a 30-year lease, with a provision for three, ten-year extensions, for 100 hectares adjacent to Ridley Terminals.

The project will include a new marine berthing facility with

transfer piping to onshore LNG storage tanks, with a capacity to transship the natural gas equivalent of one billion cubic feet per day.

The terminal is expected to provide the Northwest Coast, Vancouver Island and Lower Mainland with access to a reliable supply of natural gas that should contribute to future economic development and power possibilities. The LNG terminal will create at least 300 jobs during construction and about 30 full time jobs once operational in 2011. For more information, visit: www.westpaclng.com.

Job Opportunities Available for Local Workers

With the opening of Phase 1 of the container port only a year away, terminal operator Maher Terminals and the Canadian Border Services Agency (CBSA) are gearing up for the hiring and training of the estimated 200 workers required to operate the port, run equipment and screen container cargo.

CBSA will require about 48 positions to establish a new state-of-the-art Marine Container Program at the Fairview Terminal. While 18 of these are experienced positions that may be filled internally, the agency is hoping to fill the remaining 30 full-time permanent positions locally. The closing date for applications for these positions, which offer a starting salary in excess of \$50,000 annually, is October 4. For more information, visit www.cbsa.gc.ca/careers.

The International Longshore and Warehouse Union (ILWU) Local 505 will be supplying the trades persons and labourers for the day-to-day operations of the container port. Any hiring will be done through the Local 505 union hall and is not expected to take place until closer to the start up of operations in early Fall, 2007.

PRPA Annual AGM Updates Stakeholders

The Prince Rupert Port held its Annual General Meeting June 8 to update communities and stakeholders on the Port's progress as well as address any questions or concerns. Presentations on the Port's financial and operations performance by Vice President Finance & Operations **Joe Rektor** and Port overall performance and future plans by President & CEO **Don Krusel** were well received.

Container Terminal Will Be Open for Regional Business

The Port and its operations partners, Maher Terminals and CN, have confirmed that the Prince Rupert container terminal will accommodate containers originating in the northwest region transported to Prince Rupert by truck, and the ability for northwest shippers to access containers for their export needs. While operations plans are still under development, it is believed that the initial volumes anticipated will be minimal and easily accommodated at the terminal.

"Container port partners are committed to finding an effective, efficient, and economical system to handle export containers originating within the corridor," says Port President & CEO **Don Krusel**. "A primary objective in creating this new Gateway Express between Asia and the North American midwest has always been to ensure that northern BC communities and businesses benefit from the container port."

"We anticipate that the proximity of the container port, combined with the lower rail transportation costs associated with backhauling containers, will be a catalyst for economic development across the region."

Regional shippers wanting to source empty containers for export volumes through the Port of Prince Rupert will be able to access containers at key transload and distribution hubs under development across the Northwest Transportation Corridor including Edmonton, Prince George and Prince Rupert.

In addition, the Port is working to maintain and enhance bulk and break-bulk handling capabilities with existing terminals and through a new terminal development initiative being explored with partners.

The Port will keep stakeholders informed of these developments and related operations plans in a timely manner. In the meantime, anyone requiring additional information is encouraged to contact the Port at (250) 627-8899.

How Do You Open a New World Port?

A. By Helping Build Community Capacity

Port Sponsoring "Change Brings Opportunity" Conference

The upcoming November 8-9 "Change Brings Opportunity" Conference, organized by the Northern Community Futures Development Corporation and sponsored by the Prince Rupert Port,

is a catalyst to bring stakeholders together to understand how the container port, as an international intermodal transportation hub, can benefit communities in the region. For more information and to register, visit www.cfdc-pnw.com.



Horizon



Tsmishiam First Nations Elder Albert Brooks, Port President & CEO Don Krusel and Prince Rupert Mayor Herb Pond exchange gifts with officers of the Norwegian Star during its June 16 inaugural voyage.

New Cruise Lines and Inaugural Voyages Marking 2006 Tourist Season

The 2006 cruise season is being highlighted by two new cruise lines, Holland America and Silversea Cruise, who are testing the waters for future port calls, and inaugural visits by four cruise vessels.

Director of Business Development **Shaun Stevenson** says Prince Rupert Port is projecting a good year with 54 ships disembarking an estimated 84,000 passengers as a result of aggressively marketing the "where Canada's wilderness begins" brand to attract more cruise lines.

"We know from the results of our 2005 Cruise Passenger Exit Survey that 94 per cent rated the Prince Rupert's hospitality as good or excellent and more than 77 per cent said that they would return," notes Mr. Stevenson. "Our goal is to build upon this success and continue to enhance passenger satisfaction."

Building on Success

To help achieve this goal, the Port, in partnership with Tourism British Columbia, Prince Rupert and Port Edward Economic Development Corporation, and Tourism Prince Rupert, hosted a Tourism Packaging & Product Distribution Workshop in August. This coincided with the

Phase 2 Container Port Expansion Within Sight

Even as the construction crews are still busily converting Fairview Terminal to Canada's newest container facility, the Port Authority is turning its focus toward the development of Phase 2 of the Fairview container port project.

Port President & CEO **Don Krusel** says the desire is to begin the Phase 2 construction of the proposed 150-acre expansion immediately after Phase 1 is completed and operational.

"We are accelerating the expansion process to meet the projected demand for West Coast containers and fill the market niche that we are so aptly suited for," explains Mr. Krusel, adding "all things being equal, it also makes good business sense to take advantage of the knowledge, expertise and availability of the contractors that are currently working on Phase 1."

The projected completion date of the 1.5 million TEU expansion is early 2010.

annual Request for Proposals (RFP) for local tour operators to submit excursion packages that will be sold on all cruise ships calling on Prince Rupert in 2007.

Mr. Stevenson says there is significant opportunity to expand the tour program.

Currently, 10 regional tour operators contract with the Port Authority to deliver 30 different tours. In 2005, the cruise industry generated an estimated 100 full time equivalent jobs and about \$10 million in revenues between Prince Rupert and Terrace. This is projected to more than double in the foreseeable future, opening a new world of opportunities for the local tourism industry. More information is available at www.cruisetoprincerupert.com.



Prince George delegation (left to right): Don Zurovski, Councilor; David George, IPG Chair; George Paul, City Manager; Gerry Offet, IPG President/CEO; Kathie Scouten, IPG Manager Corporate Affairs; Mayor Colin Kinsley

NW Transportation Corridor Mayors on Same Track

High-level delegations from Prince George and Edmonton that toured Prince Rupert this year reinforce the importance of the container port to communities across the Northwest Transportation Corridor.

Edmonton Mayor **Stephen Mandel** and senior executives from the Edmonton Economic Development Corp. and Edmonton Airports Authority toured the area in January. Prince George Mayor **Colin Kinsley**, accompanied by other city representatives and Initiatives Prince George management, visited Prince Rupert in June.

Both cities are exploring economic opportunities presented by the new container port, including their potential roles as container stuffing and redistribution centres.

PRINCE RUPERT PORT PARTNER PROFILE

Canadian National Railway Co. (CN)



Canadian National Railway Co. (CN), recognized as one of the safest and most efficient railway lines in North America, is a key partner in Prince Rupert Port's transformation into an ultramodern, high-capacity 'Gateway Express' container facility between Asia and North America.

CN is investing \$390 million in the Prince Rupert Port container port and upgrading of the northern BC mainline, including:

- Fairview Container Terminal Project (intermodal yard, track work) \$25 million
- Track work for double stacked clearances & siding extensions \$55 million
- Locomotives & railcars \$290 million
- Transload facilities \$20 million

CN's on-time delivery record and Prince Rupert's throughput capabilities mean this dedicated partnership can give customers unprecedented single-line connections to major distribution centers across Canada, the United States and into Mexico. Combined with Prince Rupert's close proximity and direct access to North Pacific shipping lanes, shippers can expect to realize significant cost and time-saving advantages.

50 New State-of-the-art Locomotives

CN is acquiring 50 high-horsepower locomotives to handle new international freight traffic to and from the Port of Prince Rupert's intermodal terminal. The delivery of the 4,300-horsepower SD70M-2 locomotives is scheduled for the second half of 2007 to coincide with the start-up of the container terminal.

These state-of-the-art locomotives, which will position CN to accommodate the anticipated increase in freight traffic volumes, are among the safest, most reliable and most fuel-efficient locomotives in operation.

About CN's Northern BC Mainline

- Lowest and most gentle grade among rail lines crossing the Rocky Mountains
- Requires only two locomotives to haul a container train over Rocky Mountains (other rail lines require three or more)
- Currently operating at about 10% capacity (compared to approx. 95% on Seattle and LA/Long Beach mainlines and Panama Canal)

Phase 1 Traffic up to Four Trains a Day

The projected container rail traffic for Phase 1 of the 500,000-TEU terminal is four trains a day: two west for the back haul and two east with stuffed double-stacked containers.

For more information, visit:

www.cn.ca/specialized/ports_docks/prince_rupert/en_KFPort_sPrinceRupert.shtml

Legacy Scholarship Winners Recipients Receive \$5,000

Congratulations to **Joel Carlson** of Prince Rupert Secondary School and **Albert Chong** of Charles Hays Secondary School as the recipients of the Port's inaugural annual Legacy Scholarships worth \$5,000 each.

The Port initiated the scholarships as a long-term investment in Prince Rupert by providing meaningful financial support to graduating students committed to academic excellence, contributing to the community, continuing education in a transportation industry-related profession and returning to the region to work after graduation.



Left to right: Albert Chong, Don Krusel and Joel Carlson

Port Implementing Public Safety and Security Measures

The Prince Rupert Port Authority has implemented several sea and land initiatives to ensure site security and protect public safety during the construction of the Fairview Container Terminal.

Manager Operations & Maintenance **David Fisher** says bright orange bladders have been placed 400 feet off shore to demarcate the water-side working area perimeter and limiting access to vessels related to the construction project. This area is already established as a "No Fishing" zone for commercial fishing, under the Port Authorities Operations Regulations issued under the Canada Marine Act, due to its potential impact on shipping, navigation, deep sea vessel anchoring and float plane activities.

The Port has also installed an access-control gate near the top of Scott Road to manage access to the construction site and limit public use of the road for safety reasons. The gate is open 7:30

a.m. to 5:30 p.m. Monday to Saturday during construction work hours to allow public access to the viewing area above the construction area.

Viewing Area Closed September 1–15

However, the viewing area will be closed September 1-15 for workers to slash and remove overgrown brush from the surrounding area. People interested in viewing the progress of construction activities can log on to www.rupertport.com and view through the webcam.

Changes at Ridley Island

The Port is aware that the public access the non-industrial areas of Ridley Island for some recreational use, such as sightseeing and nature walks. While people are typically respectful of the

property, Mr. Fisher says the island is an industrial site and anyone interested in having a campfire should do so in a campground, park or similar venue where campfires are allowed.

Becoming a new world port comes with the additional responsibilities of implementing a high level of security measures and systems that meet international standards. While many of these changes will have little impact on the community, others could affect the accepted general use of Port property. The Port is asking for the community's understanding and support as these security enhancements are implemented.

Message to the Community

"Situating a containership operation at such an out-of-the-way spot (Prince Rupert) turns conventional wisdom about port-building on its head." Wall Street Journal, *Tiny British Columbia Port Aims To Be New Venue for China Trade*, August 8, 2006



It is human nature that, when faced with an uphill challenge requiring us to think and do things differently, often the path of least resistance is to find more reasons why something can't be accomplished than otherwise.

It would have been much easier for the Prince Rupert Port to accept conventional wisdom when our business was on a downhill slide, not step out of the box and take risks, and convince ourselves that somehow things would work out.

But the Prince Rupert Port, including our Board of Directors, didn't believe in leaving our fate to the unknown. We knew we were making the right decision to re-invent ourselves and were prepared to accept the challenge and the risks. The ensuing and much-publicized increase in Asian-North American container trade and resulting Pacific Gateway Strategy has since validated our decision and the rest is about to become history.

We are at the half way point on the Phase 1 container terminal construction project. By this time next year, the container port will be completed, the cranes in place and we will be preparing for the first container vessel.

Our excellent progress is also indicative of the support we have received from our project partners, the leadership of our Board of Directors, and the expertise of our team of contractors.

While we appear to be reaching the crest of our steepest uphill challenge for Phase 1, we still have a number of hills and curves to navigate. A key challenge is building the necessary infrastructure to support the new container business in a manner that provides economic and social benefits to the region and Northern Transportation Corridor.

Locally, this includes working with local communities, including First Nations, to help realize jobs and business opportunities. The construction contractors, terminal operator Maher Terminals and Canadian Borders Services Agency are supportive of this objective. This is demonstrated by the level of local employment, subcontracting and services that are currently utilized by the contractors and reported in this Community Update.

We are aware that communities along the Northern Transportation Corridor are concerned that the 'Gateway Express' will create more problems, such as increased congestion from longer container trains, than opportunities because these trains won't stop for their commodities.

Phase 1 container train traffic is anticipated to be one-to-two trains each way per day. In addition, the Port has always believed that a major benefit of the container port strategy is the opening of new Asian markets for the North as a result of the lower-cost backhaul opportunities. The plan is to transport a wide range of products by truck to a stuffing facility, probably at Ridley Island or another local site, and then on to container ships. The Port is working with CN and Maher Terminals to work out the logistics to make this a reality.

It is important that we work together so we can all realize the tremendous economic benefits offered by the new world port. We encourage community and business leaders as well as interested public members to attend either the "Change Brings Opportunity" Conference in Prince Rupert November 8-9 or the Northern Economic Forum 2006 in Prince George September 13-15 to learn more. Port representatives will be at both events and available for discussions.

In the meantime, our door is always open and we are available for presentations on the Port and container terminal to community and business groups. Let's keep the lines of communication open. Together, we can really turn conventional wisdom on its head.

Don Krusel
President
Prince Rupert Port

We'd like to hear from you!

Please write your comments in the space below (attach a letter for detailed comments), then fax or mail to us.

Name: _____

Address: _____

Telephone: _____

Prince Rupert Port Authority
the new world port
opening a new world of opportunity