

BACK PAGE - FIRST SECTION: Forgotten port finds hope of life in northern exposure

Financial Times; May 12, 2005

By Robert Wright

It is easy to understand why Prince Rupert, near British Columbia's border with Alaska, has a depressing nickname.

The town is known as Hays' Orphan - after Charles Hays, the railway executive who founded the town in 1906, intending it to become a leading seaport for trade between North America and Asia.

By the time Hays' railway - the Grand Trunk Pacific - was completed in 1914, Hays and his grand plans had been lost in the Titanic's sinking in 1912. The railway later collapsed into insolvency and, the occasional boom from fishing or paper pulp production aside, the town never recovered.

But now there is hope for Prince Rupert. Booming trade with Asia has overwhelmed many of North America's west coast ports, forcing shipping lines to look for new harbours.

On April 15, exactly 93 years after Hays drowned, Prince Rupert's port authority announced it had raised C\$60m (£25.7m) in funding, half from British Columbia and half from Canada's federal government, for the first, C\$170m phase of a container terminal. The first container should be handled by early in 2007.

The facility will eventually be able to handle each year 2m 20ft equivalent units (TEUs) of containers, a standard measure of capacity, bound to and from east Asia. Vancouver, Canada's busiest container port, handled only 1.66m TEUs last year.

Prince Rupert has started to attract the interest of shipping lines since the summer when neighbouring ports of Los Angeles and Long Beach struggled to handle the huge volumes of cargo generated by China's trade boom.

At times, vessels were forced to wait up to a week before unloading at the ports, which handle more than 40 per cent of US container trade.

The difficulties arose partly as a result of the ports' failure to predict last year's 14 per cent jump in trade with Asia. But there are also longer-term problems with the ports' inefficient working practices and limits on the capacity of railways and truck companies to move containers onwards.

Shipping lines are hastily introducing services to the less-congested US east coast via the Panama or even Suez canals. Less busy west coast ports, such as Seattle, are also picking up business.

In March Tadamasa Ishida, executive vice-president of NYK Logistics, a Japanese shipping operator, backed Prince Rupert as a possible alternative, saying NYK was examining it for US-bound imports. Don Krusel, chief executive of Prince Rupert port authority, hints that others have shown interest.

He says: "We're sitting in the far corner of North America on a very small population base, so we really had to beat the drums here to get anyone to look at this idea. Because of all these [congestion] challenges, at least now they are willing to look."

At the heart of Prince Rupert's effort is its location. Because ships use Great Circle routes, which arc towards the north pole, Prince Rupert is 19 hours' sailing time closer to Asia than Los Angeles.

The project also benefits from the relative failure of Hays' railway. CN Rail, which now owns Hays' line and has agreed to spend C\$30m upgrading it, says the line could handle more than twice its current traffic. Other lines from North America's West Coast to the Midwest are already heavily congested.

The planned container terminal site still enjoys the deep, ice-free water that convinced Hays it was a natural port. Maher Terminals, the biggest container terminal operator in the port of New York/New Jersey, has agreed to invest in equipping and operating the terminal.

Yet success is not assured. Prince Rupert's population is too small to attract direct cargo. Mr Krusel says this means Prince Rupert will be able to put arriving containers straight on to a train without separating local cargo. Conventional shipping wisdom, nevertheless, says container ports need a big consumer centre to guarantee traffic.

Shipping lines using Prince Rupert will also be prevented from using a common method to cover the costs of shipping empty containers back to Asia - renting them out for domestic loads. The region's few consumers generate too little demand.

Instead, Mr Krusel hopes the Canadian exporters will fill Asia-bound empty containers with speciality grains, timber or wood pulp.

One sceptical shipping line dismisses the project as too remote, too dependent on one railway and too risky.

But Mr Krusel and others in Prince Rupert insist these doubts will disappear when shipping lines experience their congestion-free route to the Midwest - a legacy vindicating Charles Hays' vision.