St. Lawrence Seaway launches its 55th season with a forecast for immediate growth

BY FRANÇOIS SHALOM, THE GAZETTE MARCH 29, 2013

MONTREAL — There will be some greener ships plying its waters, possibly a Canada-Europe free-trade deal and presumably a still-strengthening U.S. economy.

All of which could augur well this year for the St. Lawrence Seaway, which launched its 55th season Friday.

Seaway and shipping executives said in interviews this week that they foresee a healthy growth in traffic this year from the 39 million tonnes of cargo that transited through the channel in 2012.

That's a respectable increase in a difficult economic global context from 37.5 million tonnes in 2011. But it's still quite a shortfall from the 42 million tonnes in pre-recession 2007 — and only half of the 80 million tonnes of capacity of the maritime channel, a major engineering feat consisting of 16 locks and waterways covering 3,774 kilometres from Anticosti Island to the upper reaches of Lake Superior.

Launched in 1959 by Canada and the U.S., it was in constant growth mode for its first two decades, reaching near capacity at 74 millions tonnes. But that growth, mainly in wheat shipped eastward from the Prairies and iron ore carried westbound from Quebec's North Shore, stopped dead in the early 1980s, after the U.S. imposed an embargo on wheat shipments to the former Soviet Union as punishment for its 1979 invasion of Afghanistan. The Seaway has struggled since then, leading to much soul-searching about its vocation and ways to recoup its former ascendancy.

Freight transit through the Seaway fell again dramatically during the last recession, but has recovered some lost volume since 2008, stabilizing around 40 million tonnes a year, give or take.

Hostage as it is to the world economy, changing global trade patterns and to its technical limitations — its 80-foot-wide locks can handle ships only up to roughly 30,000 tonnes — the Seaway's path back to full capacity is uncertain.

But Terence Bowles, president and CEO of the Canadian side of the St. Lawrence Seaway Management Corp., said that there are areas of "great potential" for future trade and that the Seaway in coming years and decades will finally be able to monetize fully the ace in the hole that its two great rivals — trains and trucks — cannot possibly match.

"Marine is by far the most efficient mode of transportation in terms of greenhouse gas emissions," Bowles said.

As emissions-credit trading schemes become more established worldwide, the manner of transport will become increasingly important to the global supply chain, he said. And ships will then finally reap the full benefits they are currently denied from customers who favour faster but polluting and pothole-causing trucks and diesel-powered trains.

Andrew Bogora, spokesperson for the Seaway, said that a shipload is the equivalent of removing about 1,000 trucks from roads and "14 to 15 times more fuel efficient than rail."

As Canada Steamship Lines and other freighters start taking delivery of new, more environmentally friendly vessels like CSL's four upcoming Trillium-class ships, including the Baie St. Paul that was the first through the St-Lambert lock Friday, "that will increase substantially," Bogora added.

Most of the cargo that navigates the Seaway and the Great Lakes is bulk, with wheat and iron ore being the two dominant commodities.

Vast increases in the shipments of either are unlikely, so the perpetually vexing question nagging the Seaway of how to pull in more cargo rests on attracting a more diversified array of products — as it has for many years.

The Seaway has made some headway in that direction — general cargo like wind turbines from Germany to the Midwest and steel slabs account for 2 million tonnes, still small but a growing piece of the pie, Bowles said. And other bulk items like salt, stones, cement, potash, chemicals, fertilizers and petroleum products total about 10 million tonnes.

“And we’re working at getting known — a lot of people around the world don’t even know we exist,” Bowles said. “So our marketing people are working with ports a lot.”

But even wheat is now uncertain, said Louis Martel, president of CSL.

The Canadian Wheat Board, which for many decades allotted grain shipments to cargo transporters like CSL and others, was dissolved in favour of an open market last year.

“So there’s a battle for that business that hasn’t been settled yet,” Martel said. “We think it will still be transported on the Great Lakes, but who will have the major shares and the smaller shares, we don’t know.”

The further west a Prairies farmer grows wheat, the more economical it will be to switch to haul grain by train to Vancouver or Prince Rupert for trans-shipment worldwide.

But Martel said he was confident of retaining the lion’s share of his wheat business.

Despite the roiling waters in Europe — teetering economies and desolating unemployment rates in countries like Spain, Greece, Portugal and Italy — Bowles and Martel said they pin a lot of their hopes for growth for the Seaway on the much-delayed free-trade deal between Canada and the European Union.

Largely at the instigation of former Quebec premier Jean Charest, talks on the deal began in 2009 and are said — again — to be in their final stages.

Rudy Husny, press secretary to Minister of International Trade Ed Fast, said that the deal would boost trade between Canada and Europe by about 20 per cent, or $12 billion annually.

“Canada will have first mover’s advantage,” Husny said, “with free-trade access to the U.S. market and to the EU market. No one else has that.”

It will benefit the Port of Montreal more than the Seaway — the two have minimal common interests, with the Seaway being a bulk shipping lane and the Port a container.

But the Seaway also stands to benefit, said Martel, “because the Great Lakes used to be much more of a closed loop. Now trade has globalized a lot, largely based on commodity pricing. So when iron ore prices shot up last year, Asia was hungry for the ore and it became economical to ship iron ore from North America to Asia rather than just within North America.”

Michael Hart is an inveterate skeptic, though. The Simon Reisman professor of trade policy at Carleton University’s Norman Paterson School of International Affairs would have none of the happy talk about the Canada-EU trade deal.

Asked if he agreed trade would increase by 20 per cent, or $12 billion annually, he replied: “If you believe that, I have a bridge to sell you.”

“The barriers are very small between Canada and the EU. They’re a big deal in very few sectors, and those are the very sectors that they’re going to have great difficulty reaching conclusions on — supply management (notably heavily-regulated dairy products).”

He called the imminent accord “more symbolic than economically significant. Both sides made up their minds a long time ago that their relationship is largely an investment one rather than a trade one.”

Anyway, Hart added, Europe always finds a way to exclude competition after signing such deals — like after a deal on beef, when the EU later demanded that it exclude growth hormones or GMO.

But others note the skepticism that preceded the North American Free Trade Agreement with the U.S. and Mexico, which turned out to be a huge boon for Canadian exports. And the past relationship between Canada and the EU is not unalterably indicative of its future.

There are other bright spots for the Seaway — low-sulphur coal from Wyoming’s Powder River Basin went through the maritime lane to Germany for its electricity plants; a recovering U.S. manufacturing sector, especially automotive, is particularly well-suited for Great Lakes shipping; and Quebec City’s deepwater port was the biggest beneficiary of much of that extra trade from both oceangoing and Great Lakes cargoers. As a result, the Port de Québec is looking to expand.

“Those are exciting trends and show the flexibility of the Seaway,” Bowles said.

“Obviously we believe the Seaway can take a lot more cargo,” he said. “That’s one of our strengths. We have quite a bit more capacity than we can use.”

The question is how much of that unused capacity it will fill, and when.