

# Marine Outlook

Highlights of the marine industry

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	Index
Ports.....	1
Seaway.....	3
Commodities.....	3
Ferries.....	5
Cruises – tours.....	6
International cruises.....	6
Recreational boating.....	7

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## PORTS

### Sept-Îles

#### Major investments by 2005

Leading Quebec port in terms of tonnage handled, the Port of Sept-Îles handled a total tonnage identical to that of 2001 during the first five months of 2002.<sup>1</sup>

In order to meet the increase in activities resulting from the achievement of Alouette aluminium plant's second phase, the Port of Sept-Îles will invest more than 30 M\$ to extend wharf La Relance during the next years. The new smelter will begin its operations in the winter of 2005.<sup>2</sup>

### Montreal

#### Tonnage handled drops

Although the container sector was marked by an increase of activity, the total commodities handled by the Port of Montreal dropped by 5 % during the first half of 2002, with a volume of 8,7 Mt compared with 9,2 Mt on June 30<sup>th</sup> 2001. This drop is attributed to the North-American economic slowdown and the rather mild winter that required less de-icing salt.<sup>3</sup>

Container traffic went up 4,4 % during the first half of 2002. By June 30<sup>th</sup>, Port of Montreal had handled approximately 4,6 Mt of various containerised commodities, which is nearly 200 Kt more than last year for the same period.<sup>4</sup>

The Montreal Port Authority (MPA) has announced the construction of a modern solid bulk storage centre in the sector of Laurier terminal. This project also includes a 7 000 m<sup>2</sup> and 55 Kt capacity warehouse, an area, alongside the dock, for unloading ships over 200 m and a 650 m<sup>5</sup> railway yard.

### Port-Cartier

#### Tonnage handled up

Between January and July 2002, the total handled was 7,7 Mt, up 38 % from last year's for the same period. Port Authority is more optimistic as to the tonnage handled in 2002, because of a steady world steel demand. This could very well bring an increase in the tonnage of iron ore handled. During the first seven months, Quebec Cartier Mining production hasn't stopped like it did in 2001.<sup>6</sup>

Although the 2002 steel market is healthier than anticipated by experts, steel prices are still very low and have not increased in 2002, after the significant 2001 plunge.

### Quebec

#### A new cruise ship terminal

The tonnage handled at the Port of Quebec during the first half of the year totalled 8 Mt. If the current trends keep up, the total will be around 16 Mt, a slight increase compared with the 2001 total of 15 Mt.<sup>7</sup>

<sup>1</sup> Sept-Îles Port Authority.

<sup>2</sup> Tremblay, Stéphane, « Le port de Sept-Îles investit 30 millions \$ », *Le Soleil*, 10 April 2002.

<sup>3</sup> Port of Montreal, « Container traffic back on growth path for first half », Press release, 25 July 2002.

<sup>4</sup> Ibid.

<sup>5</sup> Port of Montreal, « Some 10,5 millions \$ for a new solid bulk storage centre », Press release, 25 July 2002.

<sup>6</sup> Port-Cartier Port Authority.

<sup>7</sup> Quebec Port Authority.

# Marine Outlook

## Highlights of the marine industry

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The opening of the new Quebec cruise terminal marked 2002. With this terminal, the Port of Quebec hopes it will become the Port of Call of certain liners.<sup>8</sup>

As for major investments, the Port of Quebec will continue works at the cruise terminal and repairs to the docks.

### Port-Saguenay

#### *Slight tonnage increase*

To this day, tonnage handled at Port-Saguenay in 2002 is slightly higher than last year's at the same date. Total tonnage is expected to exceed half a million tonnes in 2002, a little over last year's total. 2002 will be marked by a drop in the softwood lumber handled, which will be balanced by an increase in caustic, liquid pitch, wood pulp, de-icing salt and quartzite.<sup>9</sup>

Future is promising for Port-Saguenay. Much hope is put on the project of resuming petroleum products supply by sea. Port Authority pursue talks with government officials in order to promote this project. If it materialises, the tonnage handled by the port will increase by 400 Kt, double the current total.<sup>10</sup>

### Port-Alfred

#### *Tonnage stable*

During the first seven months of 2002, the tonnage handled at Port-Alfred totalled 2,7 Mt, a figure equivalent to that of 2001 for the same period. Most of it is bauxite (1,8 Mt) and alumina (582 Kt). Port Authority foresees that the total handled in 2002 will be identical to 2001's total. No major investment is planned at Port-Alfred for 2002.<sup>11</sup>

### Baie-Comeau

#### *Railway connection project*

As a major investment, la Société du port ferroviaire de Baie-Comeau-Hauterive (SOPOR) plans on connecting by rail (8 km) the regional industrial park and the Port of Baie-Comeau. There is no confirmation yet on the project since SOPOR must first negotiate a right of way with Abitibi Consolidated and also persuade its public partners as to the financing of this 11 M\$ project.<sup>12</sup> Tonnage is expected to increase if the project materialises.<sup>13</sup>

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## SEAWAY

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#### *Projects to increase Seaway potential*

Dredging works will increase the draught in the Saint-Lawrence Seaway by 3 inches in 2003. Each additional inch increases by 100 tonnes the load carried by a ship transiting the Seaway.

In addition, a study ordered by the U.S. Congress is presently examining an expansion project of the SLSW between Montreal and Lake Ontario, as well as marine facilities between the Great Lakes. This project would enable year-round Seaway transits of 1 000 foot long X 105 foot wide vessels (currently 740 ft x 78). The minimum water depth of the network would go from 26 to 35 feet. The most important works would be carried in the channel and the seven locks between Montreal and Lake Ontario, as well as in Welland Canal (between Lake Ontario and Lake Erie). The preliminary analysis was completed in June. Next is the feasibility study that should last two to three years.<sup>14</sup>

#### *Slight traffic drop*

For the first half of 2002, 1 720 ships used the SLSW compared with 1 812 for the first half of 2001, a drop of 5 %. These ships carried 17,9 Mt during that period, compared with 18,3 Mt in 2001. Bulk products were the main category carried in 2002 with 5,5 Mt. Cereals and iron ore rank second and third with 4,4 Mt and 4,3 Mt respectively, followed by coal with 1,9 Mt and finally, general cargoes with 1,8 Mt. Compared with the same period of 2001, bulk products and iron ore suffered the steepest drop with 7,7 % and 6 % respectively. Cereals also dropped by 4,8 %. Coal went up 5,7 % from the previous year.

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<sup>8</sup> Guay, Madeleine, « Le nouveau terminal pour les croisières prêt en juin », *Les Affaires*, p.B-14.

<sup>9</sup> Port-Saguenay Port Authority.

<sup>10</sup> Pelchat, Pierre, « Navires à la place de camions », *Le Soleil*, 22 February 2002, p.C-1.

<sup>11</sup> Port-Alfred Port Authority.

<sup>12</sup> Duhamel, Alain, « Du parc au port par la voie ferrée », *Les Affaires*, 13 October 2001, p.64.

<sup>13</sup> Baie-Comeau Port Authority.

<sup>14</sup> Vallière, Martin, « Projet d'expansion majeure de la Voie maritime à l'étude; Washington examine l'agrandissement du Saint-Laurent pour les gros navires », *Le Soleil*, 9 August 2002.

# Marine Outlook

## Highlights of the marine industry

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### **Water level increase**

Last fall's heavy rain raised the water level of the Great Lakes to their highest of the season. Water levels on Lake Huron and Lake Michigan increased by 28 centimetres. However, Lake Superior remained stable and the Great Lakes haven't reached their historic highs yet.<sup>15</sup>

## **COMMODITIES**

### **Petroleum products and natural gas**

#### **Demand is down**

The mild 2002 winter in Quebec affected the demand for bulk oil transiting by the ports of Montreal and Quebec. Petroleum products also suffered from the aftermath of 9/11 attacks on the air transportation industry.<sup>16</sup>

#### **Exploration and exploitation announcements**

In May 2002, Quebec's Premier announced the firm intention of his government of defining the conditions that will establish the gas exploration program in eastern Quebec. Hydro-Québec was given the mandate; it indicated that it would invest 300 M\$ for land and off-shore gas exploration. Quebec's most promising oil and gas sites are the sedimentary basins of the Gulf of St-Lawrence and Anticosti Island.<sup>17</sup>

Newfoundland's Terra Nova offshore oil field began production during the first quarter of 2002. Petro-Canada is the major proponent in this project with a share of 34 %. Unlike Hibernia's oil, which is produced from a concrete platform, Terra-Nova's oil is pumped from the seabed into a Floating Production Storage & Offloading (FPSO) vessel.<sup>18</sup>

### **Wheat**

#### **Drought hits crops**

Wheat is the 4<sup>th</sup> most important commodity handled in ports of Quebec; the most active ports are Baie-Comeau, Quebec, Montreal, Port-Cartier and Sorel.

Because of the persisting drought in Saskatchewan and Alberta, Agriculture and Agri-food Canada (AAC) analysts have reduced their estimates for the 2002-2003 crop-year yield<sup>19</sup>. AAC predicts that wheat production (except durum wheat) in 2002-2003 will drop 16 % from last season's total, to reach 14,9 Mt. AAC analysts also expect that wheat exports (except durum) for the 2002-2003 season will decrease by 28 % to a record low of 8,7 Mt. This is well below the previous all-time 10,4 Mt low of 1988-1989.

Considering these AAC predictions, we can anticipate a significant drop in wheat transits on the Saint-Lawrence for the 2002-2003 crop-year (August 2002 to July 2003).

### **Iron ore**

#### **World steel demand recovery in sight**

After the world steel demand dropped and stocks were high in 2001, it would appear that steel has reached bottom prices and will possibly recover in 2002 and 2003. Economic recovery expectations tend to indicate that demand will increase during the next 12 to 24 months. However, in spite of improved demand prospects, the world steel industry remains shaky because of high remaining stocks and weak profit margins.<sup>20</sup>

Iron ore tonnage handled in Port-Cartier and Sept-Îles should normally increase in 2002 if the world steel demand steadies as expected.

### **Aluminium**

#### **Raise in world demand**

World aluminium consumption should rise in 2002 because of a better economic situation. We are likely to observe an increase in production as well as a surplus market, which will curb the rise in aluminium prices.<sup>21</sup>

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<sup>15</sup> CKPR-TV and CBCS-FM, 22 August 2002.

<sup>16</sup> Radio-Canada, « L'activité ralentit dans le port de Montréal », 18 July 2002.

<sup>17</sup> Quebec Government, « Quebec's Premier announces a large-scale offensive to accelerate the development of energy projects », Press release, 13 May 2002.

<sup>18</sup> East Coast Offshore Sector, Petro-Canada WEB site 2002.

<sup>19</sup> A crop-year begins August 1<sup>st</sup> and ends on July 31<sup>st</sup> of the next year.

<sup>20</sup> Export & Development Canada, Basic product monitor, April 2002.

<sup>21</sup> Ibid.

# Marine Outlook

## Highlights of the marine industry

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If this increasing demand holds steady, the ports of Port-Alfred, Bécancour, Baie-Comeau, Sept-Îles and Trois-Rivières could increase their volumes of bauxite and alumina in 2002.

### Softwood lumber, pulp and paper

#### *Tough times for Canadian softwood lumber industry*

2002 will be difficult for the Canadian softwood sector, because of the 27,2 % countervailing duties imposed on Canadian softwood lumber exports by the US. This being said, Quebec companies, specially those that are financially sound, will keep on selling their production to the U.S., if at all possible, so as to keep their market shares.<sup>22</sup> The Quebec softwood market, badly hit by the Canada-U.S. conflict, will also have to face a significant drop in wood supply as a result of the huge 2002 forest fires.

Consequently, the softwood lumber tonnage handled in Montreal, Baie-Comeau, Matane, Gros-Cacouna and Port-Saguenay could possibly decrease in 2002.

The weak demand for newsprint and other papers that began in 2001 will likely continue during the first half of 2002. As the US economy improves, the demand for newsprint, boards, packaging papers and woodpulp will increase.<sup>23</sup>

## FERRIES

### *Customer traffic rises*

Due to the poor condition of the Les Escoumins wharf, the Trois-Pistoles / Les Escoumins ferry is not in service this season, which has increased traffic at the Rivière-du-Loup/Saint-Siméon ferry.<sup>24</sup>

A third ship with a capacity of 70 vehicles was added at the Tadoussac/Baie-Sainte-Catherine ferry and will be in service until September 2<sup>nd</sup> 2003 to meet the traffic increase. The crossing frequency will be increased with departures every 13 minutes.<sup>25</sup>

La Société des Traversiers du Québec (STQ) is planning on operating a new express ferry service between Rimouski or Matane and Forestville, Baie-Comeau or Godbout. No decision has yet been made.<sup>26</sup>

From April 1<sup>st</sup> 2002 (beginning of STQ's 2002-2003 financial year) to June 30<sup>th</sup> 2002, close to 1,3 million passengers and 681 000 vehicles<sup>27</sup> have used the ferries operated by the STQ. Compared with last year's corresponding period, there were nearly 5 % less passengers but 7 % more vehicles.<sup>28</sup>

Preliminary figures for July 2002 indicate an increase of 5 650 passengers and 27 000 vehicles (AEU) for all STQ ferries compared with July 2001<sup>4</sup>. The highest increase was observed at the Quebec/Lévis ferry with 24 %, followed by Tadoussac/Baie-Sainte-Catherine with 19 %. As for the number of vehicles, Matane/Baie-Comeau/Godbout recorded the highest increase with 23 %, followed by Sorel/Saint-Ignace-de-Loyola and Tadoussac/Baie-Sainte-Catherine with each a 17 % increase.

August is also looking exceptional. The STQ expects that activities will stabilise to previous years figures by September.<sup>29</sup>

## CRUISES - TOURS

### *Increasingly popular !*

In the Saguenay-Saint-Lawrence marine park, distance and speed limits were imposed on tour operators, in addition to limiting the number of marine mammals observation licences to 59.<sup>30</sup>

The Micmacs of Eel River Bar, New-Brunswick are offering, for the first time this season, a sea link between Carleton, Baie-des-Chaleurs to Île-aux-Hérons, near Dalhousie, New-Brunswick. The new cruise ship «Tenestag» carries fifty passengers.<sup>31</sup> Around mid-August 2002, regular crossings were interrupted and replaced by group reservation departures only.

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<sup>22</sup> Ibid.

<sup>23</sup> Ibid.

<sup>24</sup> Larouche, Marc, « Trois-Pistoles; La saison du traversier est à l'eau », *Le Soleil*, 13 June 2002.

<sup>25</sup> Société des Traversiers du Québec, « Tadoussac/Baie Sainte-Catherine ferry – Minister Baril announces three boat service », Press release, 20 June 2002.

<sup>26</sup> Quebec Department of Transport, « Rimouski-Forestville ferry– Minister Jacques Baril confirms the Quebec Government's intentions to improve ferry services in eastern Quebec », Press release, 11 April 2002.

<sup>27</sup> Converted in Automobile Equivalent Units (AEU).

<sup>28</sup> Société des traversiers du Québec, « Statistics for the quarter ending June 30, 2002 », July 2002.

<sup>29</sup> Société des Traversiers du Québec, 21 August 2001.

<sup>30</sup> Jannard, Maurice, « Sur la route des baleines », *La Presse*, 13 July 2002.

<sup>31</sup> Pedneault, Marjorie, « Restigouche; L'île aux Hérons maintenant accessible par traversier », *l'Acadie Nouvelle*, 10 July 2002.

# Marine Outlook

## Highlights of the marine industry

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Les Dauphins du Saint-Laurent is a business that offers hydrofoil (ACV) river tours between Montreal, Trois-Rivières and Quebec. There are four daily departures from Montreal and from Quebec. Tour duration is 4 hours. In August 2002, they operated at 60 % capacity. Les Dauphins du Saint-Laurent hopes to go over the 10 000 passengers figure this season.<sup>32</sup> Service will be offered until September 29<sup>th</sup> 2002 to meet the growing demand.<sup>33</sup>

In June 2002, a new cruise ship called, «Le Vacancier» took over from «Le Voyageur»; it offers cruises between Montreal and les Îles-de-la-Madeleine, with calls at Quebec and Matane. As opposed to «Le Voyageur» which didn't have cabins, «Le Vacancier» can accommodate 500 people in cabins and a maximum of 300 automobiles.<sup>34</sup>

La Société Duvetnor, that offers cruises in the Lower St-Lawrence area, will acquire a second taxi-boat and double its capacity for passengers wishing to visit the islands of the St-Lawrence Estuary.<sup>35</sup>

Croisière Transboréale also plans on offering cruises in the Gulf this year. The company wants to build two 38-tonne ships that can accommodate 1 000 passengers each, as well as vehicles. Some 36 cruises would be made every year with a dozen calls in Quebec, Nova Scotia and Newfoundland. However, industry stakeholders have expressed some serious doubts about this project, because of its scale and the promoter's limited experience in the field.<sup>36</sup>

## INTERNATIONAL CRUISES

### *Strengthened potential*

In 2002, 14 new cruise ships will cross North-American waters, increasing the number of passengers to somewhere around 10 millions.<sup>37</sup> World-wide, it is estimated that 50 new cruise ships will be added to the current fleet, by 2005.<sup>38</sup>

The Port of Quebec is expected to host a record 70 000 cruise passengers in 2002, with 40 calls expected<sup>39</sup>. In 2001, they were 48 800. Five ships will visit Quebec for the first time. By 2004, Port Authority expect 150 000 cruise passengers.<sup>40</sup> In August 2002, 12 calls were made in Quebec and close to 21 000 passengers came down to visit. There are 28 calls planned for September and October and a total of 49 000 passengers are expected.<sup>41</sup>

Le Soleil reported recently that ships owned by major cruise companies, namely Princess Cruise Lines of Los Angeles and Holland America Cruise Lines of Seattle, will possibly make Quebec their Port of Call in 2003.<sup>42</sup>

A project to build a promenade on the North shore of the Saint-Lawrence, from the city's bridges down to the Coast Guard Base was announced by la Commission de la capitale nationale du Quebec. This project would include parks, gardens, a marsh, a skate/cycle lane and a beach. The project also mentions that 5 or 6 years from now, cruise ships will tie up at the Champlain Harbour Station and at Anse au Foulon, rather than at Pointe-à-Carcy. The project was presented to Port authorities.<sup>43</sup>

The Port of Montreal expects to host 31 cruise ships and a total of 32 815 passengers in 2002.<sup>44</sup> This represents a 38 % rise from 200, when 23 800 cruise passengers visited the city.

By the end of July 2002, 16 calls were made in Montreal for a total of 11 200 passengers; 15 additional calls are expected for September and October.

## RECREATIONAL BOATING

### *Lachine canal reopens*

Lachine canal reopened to recreational boating on May 14<sup>th</sup> 2002, after it was closed for 32 years. Single deck boats (or with removable second deck) can now use the 14,5 kilometre-long canal since the five

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<sup>32</sup> Dubuc, André, « La navette en hydroglisseur doublera de fréquence », *Les Affaires*, 25 May 2002.

<sup>33</sup> St-Pierre, Annie, « L'hydroptère fait des adeptes », *Le journal de Québec*, 16 August 2002.

<sup>34</sup> <http://www.ilesdelamadeleine.com/ctma/index2.htm>.

<sup>35</sup> Quebec Government, « Quebec grants over 270 000 \$ to la Société Duvetnor with a view to increasing public awareness on sustainable development and biodiversity in the islands of Lower St-Lawrence », Press release, 10 July 2002.

<sup>36</sup> Normand, François, « L'industrie maritime ne croit pas au projet de croisières au Labrador », *Les Affaires*, 17 August 2000.

<sup>37</sup> UQAR, « Estimate of the economic value of marine related industries in Quebec », 2002.

<sup>38</sup> Leake, Jonathan, « Cruise ships cause major pollution, says group », *The Sunday Herald*, July 21 2002.

<sup>39</sup> *Journal de Québec*, Thursday 16 May 2002.

<sup>40</sup> *Les Affaires*, «Le nouveau terminal pour les croisières prêt en juin », 3 November 2001.

<sup>41</sup> St-Pierre, Annie, « Québec prête à recevoir 70 000 croisiéristes », *Journal de Québec*, 16 May 2002.

<sup>42</sup> Pelchat, Pierre, « Un vol Québec-Chicago en vue », *Le Soleil*, 9 July 2002.

<sup>43</sup> Fleury, Robert, « 175 M\$ sur 10 ans pour la promenade Samuel-de-Champlain », *Le Soleil*, 27 June 2002.

<sup>44</sup> Montreal Port Authority WEB site « Review of 2001 Port of Montreal and perspective for the future », 11 April 2002.

# Marine Outlook

## *Highlights of the marine industry*

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locks were renovated. For the first year, it is estimated that 4 000 to 10 000 boats will cross between Lachine and Le Vieux-port.<sup>45</sup>

Next September, Tourisme Québec will publish statistics on recreational boating tourism's economic spinoffs<sup>46</sup>. We should learn, among other things, that boating tourists who visit Quebec spend much more, on the average, than tourists of other categories.

A new municipal legislation (Bill 106) became effective last June 14, amending the Municipal Code of Quebec and the Cities and Towns Act; the new Act authorises municipalities to control the speed of boats on their territory.

The Act establishes the municipalities' power to « impose a maximum speed of 10 km/h within 50 metres from shore on lakes or rivers, to ensure safe use of water plans to persons performing other activities. »<sup>47</sup>

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<sup>45</sup> Noël, André, « Le canal de Lachine rouvre à la navigation de plaisance », La Presse, Wednesday 3 April 2002.

<sup>46</sup> Ministère du tourisme du Québec.

<sup>47</sup> « Le projet de loi 106 - Les municipalités ont désormais le pouvoir de réglementer la vitesse sur les plans d'eau », Information bulletin- Ministère des affaires municipales et de la métropole, 4 July 2002.