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RE: Customer Advisory – Inland Network Congestion Affecting Marine Terminals

Marine Terminals on the West Coast of Canada have experienced berthing delays in recent weeks due to inland network congestion, particularly in Toronto and Montreal. As these inland terminals became congested, the supply of rail cars to the marine terminals were restricted/stopped which had a major impact on both DP World Prince Rupert and Vancouver.

This situation has a detrimental impact on the marine terminals which are not designed for storing containers but for them to transit through our facilities to the final destinations. As a result, the marine terminals cannot realize the volume they are designed for, even with the increased capacity which DP World has been bringing to the market. Despite the recent completion of expansions in both Vancouver and Prince Rupert delivering additional capacity of 250,000TEU at each terminal, the terminal throughput hasn't increased. Current operational annual capacities are 1million TEU in Vancouver and 1.6 million TEU in Prince Rupert for a total of 2.6million TEU while the current volume running rate is 1.5 million TEU, so it is not an issue of terminal capacity or lack of equipment.

DP World is the first interested in maximizing the throughput to utilize the increased terminal capacity, however if the conveyor belt stops, as the terminals are not designed to store containers, even if we want to discharge the vessels to assist carriers there is no physical space where to put the containers. As terminals are full of import and empty containers they have to operate in overcapacity mode which adds tremendous additional operational costs by having to work around long dwelling containers and perform a significant amount of inefficient moves.

In order to address this situation a number of measures have been put in place already, including:

- Activation of additional off-dock areas around Prince Rupert and Vancouver to store cargo until the rail supply resumes
- Activation of additional relief container yards by CN in the Toronto area with charges introduced to drive cargo to vacate inland terminals
- Exchange of empty containers between carriers in different services to maximize import-export volume match back on the vessels, and avoid empty containers without allocated vessel capacity blocking valuable terminal space
- Removal of empty containers over the agreed allowances, either by the carrier's own arrangements or by DPW trucking or by barge to Nanaimo
- Vessel diversions to Prince Rupert to handle IPI cargoes with supporting railcar supply
- IPI volume diversion from Centerm to Fraser Surrey by barge
- An emergency group led by Transport Canada was also created including railroads, carriers, terminal operators, inland terminals and trucking companies to review and activate emergency areas to add fluidity to the supply chain.



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Since these measures were implemented Prince Rupert has regained fluidity and we are now finalizing clearing the cargo backlog. The Vancouver terminal is on it's way to recovery with decreasing yard utilization levels and local Vancouver cargo operations have remained fluid throughout this process.

Going forward the above measures will continue and we expect all supply chain partners to work with the marine terminals, your rail contractors as well as your customers to drive speedy flow of cargoes at inland destinations and actively manage empty container levels. The key to maintain a consistent service for rail cargo is to ensure proper match back between import and export volumes ensuring consistent supply of railcars and avoiding increasing the terminal ground count so congestion and ultimately vessel delays can be avoided.

To supplement the recovery efforts, DP World is deploying all resources to restore cargo fluidity through our terminals and will enforce all contractual rights to keep terminals fluid, this may include but not limited to:

- Keep yard inventory below 85% to ensure fluidity
- Keep agreed empty container allowances, and continue enforcing the Empty Management System (EMS) removing from the terminals any empty volumes over the agreed allowances
- Adhere to contractual vessel proforma volume keeping on board any excess volume unless expressly accepted by the terminal beforehand
- Reinstate import rail demurrage
- Strongly manage performance levels, both on the terminal side as well as partners agreed obligations

As the inland network operations normalize so the vessel berthing too. We will continue to work on these initiatives throughout August and expect to be back to normal working parameters by September.

Kind regards,

DP World (Canada) Inc.