

# POTENTIAL TRADE IMPLICATIONS OF TRANSPORTING GOODS IN RAILWAY CONTAINERS

## Brief

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Government of Canada

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## **1.0 Introduction and Background Information**

Morterm Limited is a fully owned Canadian subsidiary of Essex Terminal Railway (ETR) and is responsible for the operations of the only cargo terminal at the Windsor Port Authority. The terminal offers a strategic location for storing, transloading and exporting Canadian steel and aluminium products. Morterm has valuable access to Class I railways via the ETR, marine shipping routes in the Great Lakes, proximity to major highways and Canada-US border crossings in the Windsor-Detroit area.

In my capacity as the President and CEO of Essex Terminal Railway/Morterm Limited, I have met with several customers of Morterm who have expressed their desire to utilize containers for the shipping of steel products and agricultural commodities overseas and throughout North America and Mexico.

Shipping containers allow our customers to ship smaller quantities or larger volumes of steel products instead of full railcar loads. In our current economy, fluctuating commodity prices are forcing buyers to purchase smaller volumes of steel commodities to limit carrying inventories, requiring warehouse capacity and additional costs. Volatile economic conditions are proving challenging for buyers to commit to large volumes of commodities.

When the economic conditions improve and steel volumes increase, containerized shipping of steel provides shippers with an alternative to shipping mixed steel products with minimal handling and indoor storage.

Agricultural and steel producers are interested in shipping these commodities overseas using established monthly vessel liner service from Antwerp to various Ports in the Great Lakes, including Windsor, Ontario.

## **2.0 Challenges**

### ***2.1 Lack of Available Containers***

Challenges currently exist with the lack of available containers, specifically importing containers to Canada.

The current price of importing containers is exorbitant and those costs inevitably get passed on to Canadian consumers.

### ***2.2 Availability to Have Containers at Ports***

Mainline railways cannot make containers available to Ports along the Great Lakes due to lack of containers. Currently containers are centralized at large container ports and terminals servicing small percentage of industry and manufacturers. The ability to create additional secondary container ports will provide shippers greater opportunity to utilize available containers with greater and more efficient utilization and return rates. Containers can be unpacked and reloaded with different commodities for further shipping by rail or truck.

### **2.3 Lack of RORO Infrastructure**

The Windsor Port Authority lacks the necessary infrastructure to support RORO cargo and container transport. These capabilities could be leveraged to open greater shipping access for agricultural commodities and other manufactured products within the Great Lakes and connect to the St. Lawrence Seaway to access overseas markets.

## **3.0 Recommendations**

### **3.1 Creation of a Container Transfer Yard**

Create a container transfer yard in Windsor, Ontario, at Morterm Limited (Port of Windsor). From there, the Essex Terminal Railway, our sister company, would coordinate with the mainlines to move containers to various customers. The Essex Terminal Railway connects with CP, CN and CSXT, allowing for the movement of containers throughout Canada, the United States and Mexico.

Morterm currently operates a transload facility where steel products are transloaded from truck to railway removing hundreds of trucks from local roads and 400 series highways.

There is currently no marine container facility or capacity at the Windsor Port Authority. The lack of a container facility limits market access and reach for regional agriculture farmers.

### **3.2 Create a “Free Trade Zone”**

The creation of a “Free Trade Zone” would ease the movement of containers and goods into the U.S.A., as well protect corridors, border crossings, and gateways from disruption. Many benefits include but not limited to the following.

- Duty exemption
- Duty reduction
- Quota avoidance
- Streamlined logistics

### **3.3 Develop a National Transportation Supply Chain Strategy**

Engage the United States and the provinces and territories in developing a national transportation supply chain strategy to achieve mutual recognition of regulations, policies, and processes.

### **3.4 Improve Port Infrastructure and Railway Connectivity**

The long-term solution is to analyse infrastructure and the whole supply chain system (rail, ports, labour). Improving ports would ensure that they can handle the traffic increase (post-COVID), and improving rail infrastructure would enable railcars to be able to handle 40-foot containers arriving via ship, etc. Standardization of shipping containers would also improve the flow through the supply chain and reduce bottlenecks.

## **4.0 Conclusion**

In summary, supply chain issues have increased in severity over the past three years. Factors such as container shortages, labour shortages, and outdated infrastructure have necessitated the need to analyse these challenges and present solutions (both physical and political) to alleviate trade bottlenecks.

The establishment of a dedicated Container Transfer Yard at the Port of Windsor would enhance container movement throughout Canada, the United States, and Mexico. Improvement to port infrastructure would improve their capabilities to handle more traffic and reduce shipment waiting times. Once the improved infrastructure is in place, e.g., a container transfer yard adjacent to both a transload facility and railway would allow the turnaround time for shipping containers to be significantly reduced, which would encourage more marine traffic by demonstrating efficiency.

Initiatives such as a “Free Trade Zone” and developing a National Transportation Supply Chain Strategy would also improve the movement of containers by streamlining global rules and regulations into universally understood policies. Improved infrastructure, ease of movement for containers between provinces, territories and countries and improving the turnaround time for the processing of containers are the necessary components to alleviate supply chain bottlenecks and lower end costs for the consumer.