MEMORANDUM

To: Andreas Aeppli

From: Atkins International Ltd.

Subject: Port of Montreal

Date: April 4, 2008

Executive Summary

Atkins International Ltd (AIL) has been asked by Global Insights (GI) Headquarters Waltham, Mass to provide a study on the logistics patterns of the Port of Montreal in relation to the following Atlantic ports: Halifax, Canada; New York-New Jersey, and Norfolk, Virginia. Atkins International Ltd has provided its CEO David Atkins to this study.

Inbound Traffic Flows to the Atlantic east coast continue to soar especially from Asia. This is due to the fact that the West Coast ports in particular the Southern California ports of Los Angeles and Long Beach bring in Ten Million Containers a year and shippers are seeking alternatives to the busy and jammed California ports. China and East Asia (India) traffic volumes continue to soar via the Suez Canal and thence across the Atlantic.

Of the Four Ports that we have been asked to study, Halifax and Norfolk have the deepest harbors on the East Coast with 50 (Fifty) foot depths allowing the biggest of all Container Vessels to berth at those Harbors. Likely Norfolk will always have deep and well cared for Harbor as it is also home port to some of the US Navy's biggest and greatest ships: Nuclear Aircraft Carriers.

We have interviewed Exporters, Forwarders, Shipping Executives, Port Personnel and Rail and Multi Modal personnel in various points in the USA to get an overview of the Logistics business. To understand how a shipment is organized we contacted Ms. Querida Huang of Eversince Logistics in Shenzen China and gathered rates from China to all the 4 Ports in our Study. In each case the shipment was rated Freight All Kinds (FAK) and was delivered to the Pier in Shenzen. Terms of Shipments can be as follows:

Point to Point	From point of Manufacture to Point of Usage
Port to Point	From Port of Origin to Point of Usage
Port to Port	From Port of Origin to Port of Destination
Port to Point	From Port of Origin to Point of Usage

Due to Provisions of the US Patriot Act, a container for example from China to St. Louis must be delivered to a foreign Port no later than 48 hours before sailing. The Export Declaration Paperwork must be complete and accurate and then is scanned to relevant Government Authorities in China and the United States, and the ship cannot sail unless it is given a "Proceed To Sail" notification. Sans that the Ship must remain in Harbor. While on the High Seas en route to a destination agencies review the containers aboard the Vessel, and then of course can and often do personally inspect the Container(s) upon arrival.

Upon arrival at the Port of Norfolk Virginia for example containers are pre sorted in relation to exact destination, and pre blocked for train or truck delivery. Kevin Burwell of the Port of Norfolk noted to David Atkins in a telephone call March 28th that the Port "builds" the trains itself and then turns the trains over to the Norfolk Southern Railway for direct overnight service to hinterland cities such as Kansas City, Mo Chicago, Illinois, Columbus Ohio etc. The same exercise happens in the Port of Halifax where a ship arrives and is unloaded and the containers are pre blocked for rail or truck delivery. The Port of Halifax has lost 2 of its major carriers Maersk and China Shipping due to a strong Asia Europe trade flow more lucrative to those lines than calling at Halifax. Halifax with its warm water year round Port handles only 500,000 containers per year. The ships calling on Halifax once they unload containers proceed onto the Ports of New York-New Jersey and Norfolk, Virginia. The Majority of the Shipments routed via Halifax to the US Midwest route CN Rail on negotiated rates. Traffic from Halifax to Nova Scotia and other Eastern Canadian points route Truck.

Cargo originating in Asia for example and terminating in Chicago when routed via a Canadian Port is free from paying the Harbor Maintenance Tax that is assessed by US Ports. This fee is .0125% US of the declared value of the contents of a Container. Thus a container with high value High Definition TV's might accrue a sizeable fee if routed via a US port. It should be noted that even if the Container entering Canada via Halifax, Montreal (or

Vancouver) and destined a US destination there is in no Harbor Maintenance tax collected. That same container routed via a US Port for example New York-New Jersey or Norfolk is assessed the fee. An exception is a Container entering the US and destined Canada where a Canadian importer can file to reclaim any fees paid.

The Shipping Act of 1998 deregulated Ocean Shipping. While tariffs exist is estimated thru our Study that 93% of all ocean shipments are moved under negotiated rates. Thus lower than the tariff rates. A negotiated rate is a contract between an Ocean Carrier and a Ocean Client such as importer, or Ocean Transportation Intermediary (formerly referred to as a Freight Forwarder). Atkins International Ltd was provided with a scale of rates that can change weekly from the Carriers. For example a rate from

Route	20 Foot Container	40 Foot Container
Shenzen China to New York City	$2345	$2880
Shenzen China to Montreal PQ	$2720	$3700
Shenzen China to Halifax NS	$3096	$3857
Shenzen China to Norfolk, Va	$2345	$2880

All figures above US Dollars

Major International Shippers and their Agents know that the above rates are negotiable.

Above rates are via the lowest carrier this week being Mediterranean Shipping HQ Switzerland (www.mcs.us). Other carriers in that those lanes are among others Maersk HQ Denmark, Zim, HQ Israel, Mr. Jude Toepfer of International Coffee HQ New Orleans brings in containers worldwide.
Mr. Toepfer reports that "Imports via Montreal are less facile to handle and more expensive, most of our shipments to Montreal are discharged in New York and railed to Montreal making for more expensive rates. Rail Yards also tend to give less free time than Ports. Increasing our demurrage and detention charges. Montreal shipments seem to have much higher rate of exam than US Shipments"

Jill McLean of the Port of Halifax noted to David Atkins that the Port has recently lost two of its biggest carriers Maersk and China Shipping due to those carriers having more traffic on the surging Asia Europe markets. Halifax handles about 500,000 containers per year.

Kevin Burwell of the Port of Norfolk mentioned that his Port attracts all major Lines such as Maersk, China Shipping, COSCO, Hapag Lloyd, Mediterrean Lines, et al. They handle 2400 Vessels per year and the surge in traffic is East Asia thru the Suez. Ships are unloaded within a 24 hour period. The Port has 5 Terminals and several are in Portsmouth Virginia. If a ship arrives at one of those Terminals a container pre blocked for Rail Intermodal must be shunted to the Port of Norfolk main terminal which means a container may have a 24 hour delay in being loaded on a train.

Peter Zantel Marketing Manager of the Port of New York-New Jersey estimates that his Port receives 5 Million Containers yearly thru the his Port. 2,500 Vessels per year, and they arrive from all destinations. While the Port of New York and New Jersey has no direct rail connection and thus our schedule of rates show the nearest point of rail (Wayne NJ), both Norfolk Southern and CSX operate daily direct trains to major Midwestern Points. The Estimate of $150 per container to be shunted from arrival Pier to the Rail Terminal in New Jersey was a consensus agreed upon figure by the Port of New York and New Jersey. The Port is thriving and is the busiest on the East Coast.

Peter Ladoucer of the Canadian National when discussing Rail Intermdodal out of Canada mentioned to David Atkins that Montreal for example can only accommodate ships carrying 2500 Containers; smaller than the mega ships now sailing the Oceans of the world. Overseas Orient Container Lines HQ Hong Kong does have a big Ship calling on Montreal PQ but that ship is deliberately not loaded to capacity so it can sail down the St. Lawrence River. If loaded to capacity the Vessel could not dock in Montreal. The breakdown of Rail vs. Truck out of Montreal is 50% rail and 50% truck. Canadian Pacific Rail and CP Ships and Hapag Lloyd Steamship were in a partnership and thus much of the Hapag Lloyd Intermodal traffic is routed via Canadian Pacific. Montreal is a successful Port due to its strategic proximity to upstate New York cities such as Buffalo, Syracuse and Rochester. Montreal also In tariffs offers a Thirty Cent per ton rebate to Shippers destining their cargo in the United States. The tariff applies to all cargo West of Michigan and as far as Alaska. However traffic sampling indicates very little cargo moves west of the Mississippi Rivers when entering Canada.

Motor carrier and Intermodal Rates as sample lanes of traffic

Origin	Destination	Over the Road (OTR)	Intermodal
Halifax	Chicago	$2,715.00	$1,275.00
Halifax	Detroit	2, 205	Not Offered
Halifax	Kansas City	1,500.	Not Offered
Halifax	Columbus	1,728	Not Offered
Halifax	Cleveland	1,560	Not Offered
Halifax	Nashville	2,184	Not Offered
Montreal	Detroit	1,895	Not Offered
Montreal	Cleveland	635	Not Offered
Montreal	Nashville	1,320	Not Offered
Montreal	New Orleans	2,245	Not Offered
Montreal	Chicago	1,500	900
Montreal	Kansas City	1,900	Not Offered
Norfolk	Kansas City	1,853.	1,416
Norfolk	New Orleans, La	1,764.	Not Offered
Norfolk	Cleveland	1,100.	1,655
Norfolk	Chicago	1,260.	1,310.
Norfolk	Detroit	1,200	No Service
Norfolk	Nashville	950	No Service
Wayne NJ	Kansas City, MO	1,728.	1,208.
Wayne NJ	Columbus Oh	859.	1,100.
Wayne, NJ	Cleveland, OH	726.	350.
Wayne, NJ	New Orleans	1,700	Not Offered
Wayne, NJ	Chicago	1,298.	1,313
Wayne, NJ	New Orleans	2,175.	Not Offered
Wayne, NJ	Detroit	720.	1,250.
Wayne NJ	Nashville	1,150	595.

All figures above US Dollars

Note:

Rail and Truck Pricing is done on both mileage and equipment availability. Thus a shipment from an Eastern Port to a dense market such as Chicago will provide lower rates than a shipment from an East Coast port to a Midwestern City lacking in regular repetitive traffic. Truck pricing is based on zip code to zip code with the availability of round trip presaging a lower rate. Bear in mind because a city is closer to an Eastern Port than another does not mean in all cases a cheaper rate.

Importing thru Canada provides Shippers savings of the Harbor Maintenance Fees, and possibly a savings of transit time of 2 to 3 days however as we indicated The Shipping Act of 1998 allows Shippers to negotiate rates directly with the carriers and thus they can offset those costs by negotiating rates that provide savings to the Shipper. Major Shippers and Ocean Transportation Agents negotiate annual volume contracts that allow them To market their services and make money on the spread of the “Sell Rate” of a carrier and the “Buy” rate of the Shipper.

Stevedoring Costs vary from Port to Port and again are subject to confidential contracts. There are tariffs in place but contacts agree these are rarely used.

<u>Shipping Terms</u>

C & F Cost and Freight

Bill of Lading Document establishing the Terms of the Contract between shipper and Transportation Company.

Clean Bill of Lading: Receipt of Goods issued by the Carrier that the Good were received in "apparent good Order and condition"

Common Carrier An individual, partnership or corporation that transports persons or goods for compensation

Shippers Export Declaration A form required for all shipments by the US Treasury Department and prepared by a Shipper indicating the value, weight, destination, and other basic info about an export shipment.

Intermodal Truck or Rail or Ocean Container on a Rail Car

OTR Over the Road

Duty A tax imposed on imports by the customs authority of a Country.

Export License A government document that permits the licensee to export designated goods to certain destinations.

"All In" All costs included, such as Pick Up, Freight, Delivery

CHB Customs House Broker an individual licensed to enter and clear goods thru customs

Contacts

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