

## **Shipping delays, demand from China push cost of dry bulk commodities to record levels: Spike in shipping is having little impact on western coal producers**

The Vancouver Sun

Tue 30 Nov 2004

Page: D3

Section: BusinessBC

Byline: Saijel Kishan, with files by Brian Morton, Vancouver Sun

Source: Bloomberg News, with files by Vancouver Sun

Shipping costs for iron ore, coal and other dry-bulk commodities are rising to record levels as shipping delays hit world ports and demand surges from China for raw materials.

"Demand is overwhelming available supply," said Peter Norfolk, an analyst at Simpson, Spence & Young, a London-based shipbroker. "Importers are boosting shipments of iron ore and coking coal before contract prices are revised next April."

The Baltic Dry Index, which measures the cost of shipping dry-bulk goods across different ship sizes on global routes, rose 104 points, or 1.7 per cent, to a record 5974 on Monday. The index has surged about 21 per cent this month and 9.7 per cent last week, the biggest weekly gain in more than four months.

Demand for shipping space has surged this year, outpacing fleet growth, as China, the fastest-growing major economy, boosts imports of commodities. That has pushed freight rates to records for both dry-bulk ships and oil tankers, increasing costs for steel mills, power plants and construction companies.

The spike in shipping costs for commodities, however, is having little impact on western Canadian coal producers -- at least for now.

Dermot Lane, director of public affairs for Calgary-based Elk Valley Coal Corp., said shipping costs are borne by their customers, so the record transportation costs aren't impacting on their business.

"The shipping costs are a major concern for our customers," said Lane. "Indirectly, it affects the overall cost of raw materials. But it's not affecting us."

Elk Valley sells 25 million tonnes of coal annually, with 80 per cent going through Vancouver and eight per cent of their sales to Chinese companies, Lane said.

Mark Fields, executive vice president of Pine Valley Mining Corp. of Vancouver, said his firm expects to export 1.5 million tonnes of coal next year through North Vancouver's Neptune Terminals, primarily for use by overseas steel manufacturers.

Fields said if their customers face higher shipping costs, it might affect steel production. "They have ships under long term contract, so the prices won't necessarily have any immediate impact on them. It will eventually, though. In the longer term, if the cost of producing steel goes up, they'll pass it on to consumers."

Neptune Bulk Terminals CEO Glenn Taylor said his facility hasn't experienced any shortage of ships yet.