

**Remarks by Norman Stark
President & CEO, TSI Terminal Systems Inc.
to Port Days
Halifax, Nova Scotia
September 27th, 2005**

Remember this quote:

"I am very optimistic about the future of the Port of Halifax. Ships are growing larger. We are entering the age of the superships and this port has the facilities to handle vessels of that size."

It's nice to be back in Halifax, one of the world's great port cities. It's great to see so many old friends. Most of you know my association with Halifax goes back some 40 years.

I first arrived in 1965 on Torr Head at Pier 39. Back then, in 1965, there was no container terminal. That would come some five years later.

It was in 1970 that Halterm opened. Back then the largest vessel was 1,000 TEUs. My first vessel was 500 TEUs. That was back in the 1970's on L. Forest, A. Forest (Fednav), and J. Stoneman was agent.

In 1981, I was Harbour Master and the second container terminal at Fairview Cove opened the following year, in 1982.

And then in 1984, there were the Tall Ships – now that was a highlight of my career.

The low-point had to be the "Zapata Scotian" – and the challenges? Well, that had to be the "Monica B" and the "El Paso Savannah"

Since my arrival in this port in 1965, one has to just wonder and comment on how things have changed in 40 years.

Back then we were talking about 500 TEU vessels – today it's 10,000 TEU vessels. Back then cranes were 40T by 13-wide – today they're 120T by 22-wide, capable of lifting 4 by 20 foot containers and two by 20 foot containers.

Yes, it's been a remarkable period of change, hasn't it? The numbers are staggering.

Why do we think things won't change just as much in the years ahead? They will. Every day, we're reminded that the future has no limits. The only limit is on our capacity to embrace change, and make it our ally.

As Canadians, we have an incredible opportunity to take the future into our hands.

As a trading nation, we do business with many countries around the world. At last count, in the Port of Vancouver, the number was over 90. Traditionally, our focus on the West Coast has been Asia. Meanwhile, the East Coast has looked east to Europe, the Mediterranean and Africa.

However as our outlook becomes more globalized, traditional views change. And therein I believe lies the opportunity for Halifax.

That opportunity ... is China.

China Shipping will be calling on the Port of Halifax with a new round-the-world service. That is exciting news, indeed. Congratulations, Halifax. This is a premium carrier. This is another great step for the Port, and it comes at a very exciting time.

We're witnessing a huge transformation taking place in the global economy, driven by the Asia Pacific, and in particular, China. This transformation is shaking the very foundations of how we all do business.

And the Port of Halifax stands poised to benefit.

But China is not North America or Europe and the cultural subtleties cannot be ignored. It takes time, patience and persistence to foster strong business relationships. They don't happen overnight.

In Vancouver, we've been building those relationships for some 20 years.

It's hard to grasp the sheer enormity of the opportunities that China offers. With radically lower labour costs, Asian Pacific nations are jumping at the opportunity to feed North America's demand. Thanks to China, we're paying less for our clothes, our TVs, and everything else you can imagine. Manufacturing on our side of the ocean will never be the same.

Of the Fortune 500 companies, some 400 now have plants in Shenzhen, China.

Last year, Chinese ports moved 88 Million TEUs. That was nearly one-third more than expected. China's containerized trade is expected to reach 140 Million TEUs by 2010. While Hong Kong's growth levels off, the ports of Shenzhen and Shanghai are expanding at an incredible rate.

China's integration into the global economy is very good news for all of us in the North American transportation system and indeed our entire economy. It means lower prices for consumers, lower interest rates and lower inflation. China is consuming more than half of the world's cement, a quarter of its steel, and the lion's share of its raw materials.

All of this is good news for Canada.

There is no doubt that China is creating unprecedented prosperity, unprecedented opportunities. But it's also putting unprecedented pressures on global transportation infrastructure.

The question isn't whether China's ports can grow to handle 140 Million TEUs. The question is "Can the rest of the world accommodate this growth?"

Consider this: The present world containership capacity is 9.0 Million TEUs, that's about 7,600 vessels. Then consider that 3.8 Million TEUs, that's 1,000 vessels, or about 42% of today's capacity, is currently contracted for delivery between now and 2009.

China Shipping, your newest customer, has 10 ships on order at 9,580 TEUs each. COSCO has the largest vessels on order at 10,000 TEUs, with another 5 ships at 9,200 TEUs. And many other carriers are doing likewise. Germanischer Lloyd has indicated that the first 12,000 TEU Suezmax-sized (a new word in our vocabulary) vessels could be on order within next two years.

But China's growth has left ALL West Coast North American ports facing serious congestion. As a result, many shipping lines have increased their sailings to the East and Gulf Coast ports. Cargo continues to be moved through the Panama Canal, but as it hits capacity, we will see the Suez Canal move more cargo to the East Coast of North America.

Once this trend of diversions takes hold, it will be extremely difficult to reverse.

Of the 13 million laden TEUs handled on the North America's West Coast in 2004, 64% (that's 8.3 Million TEUs) originated from Hong Kong, Taiwan and Mainland China. In 1999, the Vancouver Gateway handled just over 1 million TEUs. Five short years later, this volume doubled to some 2 Million TEUs, again, thanks to China.

At Los Angeles and Long Beach, vessel capacity has risen more than threefold since 1990 to 294,000 TEUs per week. By 2020, it's projected that 800,000 TEUs will be moving weekly through LA – Long Beach, that's 800-thousand TEUs per week.

Today, there are 62 service calls per week at LA/LB. By 2020, there will be 108. Of these, 22 services will have vessels of 8,000-12,000 TEU-size. A 10,000-TEU vessel saves \$150/slot over a 4,500-TEU vessel.

The Mercator Transport Group says very few ports in North America can handle these superships, and only two East Coast ports. Those ports are Hampton Roads and Halifax – that's right, Halifax.

China is indeed a huge opportunity for Canada's ports. It's very exciting and at the same time, it's more than a little daunting. With a forward-looking and unified approach, the Port of Halifax can and will reap the benefits. I am confident.

As we on the West Coast have discovered, China's incredible growth has meant real growing pains. The issues are not just for ports to consider. These are questions of significant public policy. They raise big questions for governments at all levels. They impact the competitiveness of businesses large and small, on a national scale. But perhaps the biggest challenge is that our "just-in-time" management model no longer works as it used to.

At almost every West Coast port, the entire logistics chain is strained: terminals are congested; longshore labour is in short supply; road and rail infrastructure is strained; new land for port expansion is scarce; and capital development costs are increasing.

Literally billions of dollars in new investment are urgently needed to maintain and upgrade Canada's transportation system. But we can't just throw money at the various pieces of the problem. We need to get all the links in the chain working together.

The explosion of container traffic from China has highlighted the bottlenecks in our highly fragmented transportation chain. Ocean carriers, importers, and exporters are demanding reliability and accountability.

We all have a role to play in repairing the system. At the port and terminal operator level, we can do our part. In Vancouver, we must encourage more customers to use non-peak hours to spread truck traffic through the day. We must use our infrastructure better, increasing the density of our operations. We must encourage the unions to train more longshore workers. We must double-shift our truck gates.

Think of the positive impact this would have on our highways and our terminals.

At the logistics level, we must also look at opportunities to develop more off-dock warehousing facilities. In Savannah, importers such as Pier 1 and Ford Motors have opened distribution centres adjacent to the port. We need more of these distribution warehouses rather than goods arriving at the last minute. Factories in China can no longer be the warehouses of stores in Toronto.

As terminal operators, even though we have a ways to go, at TSI this year we implemented our Balanced Growth Program. We're looking at technology solutions to improve terminal efficiency.

Railways are an integral part of port operations and we have been working closely with our rail partners, CN and CP Rail to increase car supply to help us relieve terminal congestion. As vessels get larger and cargo volumes grow, our terminals are becoming more and more congested. Marine container terminals must move boxes off the dock as quickly as possible by truck to distribution centres. In my view, the only trains that

should be received on the terminal are those moving high-value, high-premium paying cargo.

The inter-modal yard cannot be the choke-point. Consider the efficiency we'd gain if we did not have all this additional activity going on. Do the math. Two terminals, like Halterm and Fairview Cove, each with two berths, working 50% of the time available can handle 2 Million TEUs. It's significant.

The answer – every level of government must embrace the fact that our ports are the biggest economic development tool they have at their disposal.

There are excellent lessons you can learn from British Columbia. Provincial governments need to pay attention to ports and BC's government is doing exactly that. Premier Gordon Campbell and his Transportation Minister Kevin Falcon have shown true leadership in developing and implementing the BC Ports Strategy. Flowing from this has been the Multimodal Action Plan. It looks at strategic public/private priorities for capacity expansion by port, rail, and road infrastructure. The BC government "gets it", and they will do what it takes to bring business to BC.

For its part, the federal government has made some encouraging moves, such as the proposed amendments of the Canada Marine Act. But this is only a first step – and a small one at that. More importantly, is the need for dramatic leadership to give Canada a comprehensive national transportation policy. As Premier Ralph Klein recently pointed out, Canada is possibly the only G8 nation without a national transportation policy.

We can't go on forever neglecting our national transportation challenges. To do so is to take our current economic growth for granted. Now more than ever, we must develop a clear national vision and a plan to get all the pieces of the transportation puzzle working together, efficiently and effectively.

My message to the Prime Minister and to the Transportation Minister is quite simple, "Without that national vision, and without that national plan, Canada runs the very real risk of getting left behind."

That cannot and must not be allowed to happen. But does our federal government "get it"? Time will tell ... but time is running out.

Ask your MPs, ask the Minister, and the PM the next time they come to town. Challenge them to step up to the plate. If we fail to act, the benefits for Canadians -- economic growth, opportunity and jobs -- will surely flow elsewhere.

We do know this, because our competitors are on the move.

In the US, the Federal Government has taken the lead on building a long-term, inclusive, national transportation strategy. So too has the State of California. Even Governor Arnold "gets it".

By coming together, we can transform our ports into true gateways to prosperity. But it takes all partners sitting down and making that vision a reality. No one can do it alone. Which brings me to your Gateway, here in the Port of Halifax.

On 27th October, 2004, Karen Oldfield said something that I believe is very important.

“What makes the difference is the attitude and approach of the Port and the community. When it comes to attitude and approach – which are absolutely key to success – when it comes the bringing everyone together to work towards a common goal, we have our act together”.

BINGO.

Ladies and gentlemen, it's all about people – the right people, in the right places, doing the right things, at the right time.

Enter the Gateway Council – the right players with the right vision and an effective program of action to realize it. The Gateway Council must represent the region's major transportation interests. It must be an advocate for Gateway transportation issues. It must embark on an extensive cooperative program of action to make the vision a reality.

Remember, vision without action is only a dream. But vision with action will yield amazing results.

We're talking about a common vision - a clearly defined end-result, shared by everyone and talked about often. A vision that tests people who believe in their own ability to achieve that end-result. It tests the bounds of your creativity and ingenuity. It tests people who know that if they are going to succeed, they will have to depend on each other and trust each other.

The right people, in the right places, doing the right things. If you don't remember anything else about my remarks, just write down four words:

People – Focus – Communications - Values

Four words – four ingredients of a successful Gateway.

Let me give you a quick overview of the Greater Vancouver Gateway Council. I gave you four words to remember, now I'll give you two numbers. These are only numbers you need to know. one and twelve.

Every time a 747 lands at Vancouver Airport, it creates 1 person-year of work. Every time a container vessel enters Vancouver Harbour, it creates 12 person-years of work.

Everything else ... flows from that.

The Vision of the Greater Vancouver Gateway Council is that, "Greater Vancouver becomes the Gateway of choice for North America."

Why Greater Vancouver? Because it incorporates three ports as well as the airport, 100 MT cargo, and 15 million passengers.

The Mission – "To ensure the Gateway provides the highest level of customer satisfaction." The #1 priority – competitiveness.

The Council Board consists of the CEOs and senior executives who represent the collective vision of the major transportation interests in the region, which are the ports, the airport, the railroad, the trucking industry, all levels of government, the importers and exporters, and labour.

The objectives are accomplished through action teams. The projects are selected by the members. The action teams are appointed by the members. Each action team has a champion on the Board. The teams have mandates, time-frames and can engage outside expertise as necessary for their projects. Since the Council was formed in 1994, there have been many achievements:

- An economic impact study.
- A vision document focusing on three strategic areas, which are: a fair competitive framework with US gateways; an investment in the infrastructure of facilities; and improvement to service expansion.
- A successful lobby for reductions in fuel and property taxes.
- Hosted Air Access forums and an Air/Cruise Forum
- Produced studies on major commercial network infrastructure.

The council is very strong on advocacy and is routinely consulted by all levels of Government. The Gateway Council has a small permanent secretariat and functions very effectively.

I believe the Port of Halifax can have similar success.

Karen Oldfield hit the nail on the head when she said recently that the \$125,000 the Gateway Council received from the federal government was earmarked for a strategic plan and an economic impact study. She said the strategic plan would provide a long-term road map. The impact study would help different levels of government understand the true benefits to be realized for all.

Right on, Karen.

Finally, as a Gateway, we must continue to demonstrate to the community that we care about the physical and social environment where we operate. Quoting economic activity statistics is nice, but that's not nearly enough! We must be active in our communities.

We must earn the respect and trust of our neighbours. Our neighbours need to be proud of the ports that serve them. And by reaching out, we can do just that.

Now back to the quote from the beginning of my remarks:

"I am very optimistic about the future of the Port of Halifax. Ships are growing larger. We are entering the age of the superships and this port has the facilities to handle vessels of that size."

This quote was made by a young Harbour Master by the name of Norman Stark and reported by Peter Duffy on Saturday, June 20th, 1981 in the Halifax Herald/Mail Star. I want to add to that quote – my quote:

"Halifax also has the people, the focus, the values and the ability to communicate the vision".

Halifax – Smart Move – Smart Gateway – Smart People.

Thank you.