



Metro Halifax Chamber of Commerce
November 6, 2002
Speaking Notes –
Karen Oldfield, President & CEO, Halifax Port Authority

Good afternoon.

I would like to begin by thanking Halterm for sponsoring this luncheon. As the operators of the South End Container Terminal, they are certainly an integral partner to the Port of Halifax. I would also like to thank the Chamber for providing me with this opportunity to speak with you today. The business community is one of our most important allies since we contribute to each other's financial success.

It is heartening to see such a wide range of Nova Scotia businesses and government interests represented here today, since the Port of Halifax plays such a pivotal role in the economy of this province and this country. Like any business, we face challenges and we are presented with opportunities every single day.

And when I say "we", I mean everyone in this room; and in Halifax, and in Nova Scotia, and in Atlantic Canada. This is our port. And our port is one of the most valuable assets we have in Nova Scotia. Unfortunately, Halifax Harbour is known more for what goes into it, not what comes out of it.

Seriously, the Port of Halifax is unknown as one of the key economic engines of our province. In my remarks today, I would like to address the port's economic reach, and bring you up-to-date on our three main business areas: shipping of containers and other cargo and the rapidly expanding cruise segment.

Let me get some quick facts out of the way:

As the Port Authority, our job is to manage port facilities. Halifax is one of 18 Canadian port authorities comprising the national ports system — some others include Vancouver, Montreal, Quebec City, and Saint John. The Port Authority is 100% self-sustaining — in other words, we are funded completely from operations — we receive no funding from the federal government.

Financial stability is obviously a key driver in our business. We have had good financial success, and building on that success, we have set our sights for the very future very high. We

will continue to be a leading gateway to North America, as we become the premier port in Eastern Canada.

The Halifax Port Authority itself has 54 staff. Their areas of specialty include marketing, finance, operations and engineering, combined with in-depth industry knowledge. We are currently in year two of a five-year plan to invest almost \$60 million in our facilities and infrastructure. This investment plan will help to keep us competitive in the global marketplace. The Authority owns 241 acres of land surrounding the port, which includes the Fairview Cove Container Terminal and the South End Container Terminal. These two terminals play a substantial role in our shipping business. And for many people, they are the most visible representation of the port's activities in Halifax.

To give you an idea of business volume, the two terminals handle over 540,000 standard 20-foot containers annually. The number of containers is synonymous with economic activity – jobs, employment income and ultimately a strong and healthy economy – in fact, some 9,000 jobs and almost \$700 million in employment income in Nova Scotia.

Canada is a trading nation. Our national economy and our federal government's economic strategy are wholly dependent on our ability to facilitate global trade — to move Canadian goods to international markets effectively and efficiently.

The port is one of the key platforms from which Canada's export and import industries do business with over 100 nations around the globe. In fact, over \$6.8 billion in international business moved through the Port of Halifax in 2001.

Transportation is not just another sector of the economy. It is an enabler. And ports, ports like Halifax - along with the related transportation services - are key to the success of many local economies. Perhaps nowhere more so, than right here in Nova Scotia.

Enough facts and figures.

While the Port Authority focuses on three particular lines of business, namely, container cargo, other cargo and cruising, the Port of Halifax or the “port” is really a collection of products, services and people that work together to provide world-class service to our customers. And the Port Authority is only one player.

Our port is at a crossroads. There are two reasons for this: first, as you may know, the federal government is presently reviewing the *Canada Marine Act*. This is the federal legislation that established Canada Port Authorities in 1998 and governs our operations today. The Chamber has been a supportive partner in making a presentation to the CMA Review Panel and a summary of the Chamber's presentation may be found in the latest *Business Voice*. The review is critical to our on-going success because it relates to the competitiveness of Canadian ports generally, and to Halifax specifically, vis-à-vis our competitors south of the border. The outcome of the CMA Review could lead to some of the most significant investment, economic growth and job creation that we will see in Nova Scotia over the next 20 years. Or, it could lead to a slow deterioration of the competitive position of the Port of Halifax.

Our primary pitch to the CMA Review Panel is to give the port the business tools it needs to finance strategic investments in land and infrastructure. Currently, if we cannot finance from operating revenues, then the investments don't get made. This issue is at the heart of the growing competitive gap with U.S. ports, which is a full topic in its own right.

The second reason why our port is at a crossroads is purely commercial. Like any business, there is a long list of competitive threats to our port. However, there are significant opportunities as well. Container traffic is one of the most valuable segments of our business. We are forecasting increases for this business well into the future. Our forecasts are based solely upon market growth. However, we are not content to merely keep pace with the market; rather, we have set a goal of one million TEUs within 10 years. That is indeed a "stretch goal" by any scorecard, and it requires the port to expand its market reach.

At HPA, we are satisfied that the port has significant upside potential if we are successful in expanding our role in the North American North Atlantic container market. At present, 17% of the HPA's revenues come from the U.S. Midwest container traffic. However, that 17% of our total revenue is just 3% of the total U.S. Midwest market share. There is ample room to grow this number.

We will accomplish our growth goal by concentrating our efforts in three primary areas:

- 1) The critical alignment of interests among stakeholders, including CN, the carriers, the trucking industry, terminal operators, and labour;
- 2) By identifying and capitalizing upon the opportunities for "value-add" such as distribution centres, as one example. Our approach will aim to attract the ultimate shippers of cargo, in other words our customer's customer, with a winning value proposition that compels carriers to route their cargo through Halifax because the customer demands it;
- 3) My background is the law. In that business, we have a saying that "possession is 9/10^{ths} of the law." A quick translation of that expression into the transportation industry is "He who has the freight, wins!" Accordingly,

the third component of our plan is to take a greater role in developing more comprehensive offerings beyond just port service to route a greater share of in-land bound traffic through the port.

For some of you in the audience, an aggressive target of 1.0 million TEUs will immediately raise the issue of capacity and, specifically, whether the existing terminal operations can handle such volume. In logical progression, questions regarding capacity lead directly to a secondary issue that has been simmering on the back burner ever since 1998, namely, the development of a third container terminal.

A third terminal is not an immediate issue. Currently, the port has more than sufficient capacity to meet our short and medium term growth. Indeed, there are many ways in which the capacity at the existing terminals can be increased before there is any need to make the extensive capital investment required for a third terminal.

However, we cannot stand still. The competition doesn't and our customers don't. And container terminals cannot be built overnight. Therefore, we are moving forward in anticipation of future growth and we are currently completing the required studies to confirm the feasibility of Rockingham as one possible site for future development.

At the Port Authority, we talk a lot about numbers – TEUs, passenger counts, throughput, capacity, and so forth. And in our business, numbers are important, but they don't tell the whole story. Our business challenges also relate to quality of service. The continued consolidation and globalization of the shipping industry is putting increasing pressure on ports to reduce terminal costs and improve operational efficiency.

Halifax is known as Canada's Smart City. The Port of Halifax is Canada's Smart Port — a Smart Port in which it is easy to do business. A port in which partners work together to increase productivity; to reduce costs; to utilize technology as a business tool; and to create a brand identity for the Port of Halifax. Our Smart Port Forum is a ready-made vehicle for the resolution of issues and a means by which we can clear the tracks of bureaucracy which, as Michael Sabia said the other day, is “the enemy of customer service.”

Our harbour is the second deepest natural harbour in the world. It allows us to handle the largest container ships afloat and makes us the only port on the East Coast of North America currently able to handle fully laden post-panamax container vessels. Yet, this is not enough to ensure that the Port of Halifax is all that it can be.

How will we be successful and grow in challenging times?

First, partnerships.

Our focus must begin and end with our customers' needs firmly in our sights. HPA recognizes that we can not achieve our goals on our own. We will need the strong support

of our partners in the port and the business community to work with us to sell the Smart Port to our collective customers.

Partnership is working at the Port of Halifax. A perfect example is the cruise line business. As some of you may recall, the first cruise ship to call on our port on April 30, 1980 was Commodore Cruise Lines “Caribe” which carried 303 passengers. In each of the last six years, Halifax has posted a record cruise season. Just last year we were the port of call for 87 cruise vessels, which brought over 160,000 passengers to our city. On average, these visitors spend \$95 each, which translates into \$15 million for the local economy. This success has been founded in no small measure on the partnerships which have been formed in Halifax and in Atlantic Canada to promote this growth industry.

We have set some very ambitious passenger targets over our planning horizon. I have every confidence that the partnerships we have forged in this sector will see Halifax emerge as the premiere destination in the “New Alaska.”

Secondly, our brand.

We must ensure that our partners and stakeholders understand clearly the value proposition being offered to shippers, shipping lines and logistics professionals moving goods over the Port of Halifax. We must explain the Halifax brand and what it stands for. We need to work together to ensure our messages are strong and consistent.

We have carved a strong and ambitious future for our Smart Port. We have a firm grasp on our potential and a good plan to get us there.

The key message — we need to move forward. Quickly. Today. Now.

This port is everybody's business and we all have a stake in its future success. There are many challenges ahead but with hard work and cooperation from our partners, we are prepared to meet those challenges head-on.

I'll leave you with one thing – a simple request.

On your tables are fax sheets. All the information is filled in with the exception of the last sentence. Complete that sentence and fax it to me.

The Port of Halifax is _____. Tell us what this port means to you and to your business. Tell us how we can make it easier to do business through the Smart Port. We want to know, we need to know.

We look forward to hearing your opinions and your ideas.

Thank you for your attention.