

**METROPOLITAN HALIFAX CHAMBER OF COMMERCE**

**REPORT FROM THE TASK FORCE**

**ON**

**PORT-RELATED OPPORTUNITIES FOR HALIFAX**

**October 1996**

*The Challenge ...*

**A continued status quo for the Port of Halifax is not an option. If no action is taken to address the Port's current weaknesses and threats, it will decline to become a feeder for local trade. However if all key stakeholders work together with strong leadership to achieve a common vision, the Port can grow substantially with huge consequent benefits for the local, regional and national economy ...**

***the Vision ...***

**Halifax will, within 10 years, be the major east coast hub port with state of the art facilities servicing all cargo sectors. It will be the North American headquarters for several global carriers.**

**This increased activity will result in 24,000 more direct and indirect jobs in the Metro area.**

***and the Requirements ...***

**The commitment of all key stakeholders to the vision.**

**Revisions to the proposed Canada Marine Act.**

**A new Port Authority, controlled and driven locally by the private sector, with full responsibility for the Port, and active involvement of major stakeholders and investors.**

**Rapid upgrading of Port facilities.**

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# 1. INTRODUCTION

Stimulated to action by the proposed changes in the Marine Services Fee early in 1996, the MHCC identified through consultation with its members in May 1996 that external factors such as global shipping industry changes and legislated port reform would have major future impacts on the Port of Halifax, with equally significant consequences for the city. In order to determine what MHCC position might be appropriate in the face of these changes, the Executive Committee of the Chamber asked a Task Force to examine the potential impacts, identify opportunities, and report back recommending possible directions and responses. The Chamber was supported in this initiative by the then Minister of Economic Renewal for Nova Scotia, the Honorable Robert S. Harrison, who suggested in a letter to the Chamber on June 17 that a “strategic approach to this issue is needed”.

This “Port-Related Opportunities Task Force” comprised Don Elder (Chair), Michael DiPenta, Patrick Morin, Fritz King, Wade Elliott, Michael MacDonald, Valerie Payn, Mary Brooks and Ann Janega. (The affiliations of these members are listed in Appendix 1. The Halifax Port Corporation participated initially, but withdrew due to its potential/perceived conflict of interest associated with the Task Force’s recommendations on Bill C-44 (Canada Marine Act), which directly affects the HPC). This group met formally and informally on a number of occasions from June to September. A major parallel study to “Assess the potential of developing Halifax as a multi-modal gateway and processing centre for North America” has been commissioned by the Greater Halifax Economic Development Partnership. The Task Force considered the terms of this complementary study, which commenced in July and reports in October, through the input of the GHEDP directly on the Task Force.

This report summarizes the Task Force’s conclusions regarding port-related opportunities for Halifax. Group discussions were wide ranging and extensive. While not every member of the group agreed in detail on all matters discussed, general consensus was reached on all the conclusions summarized in this report. Their reporting herein may represent the first time in the history of the port and city that such a broad-ranging vision has been sought, discussed and agreed upon.

The opportunity and vision identified not just for the port, but for the Halifax area, are exceptional, startling, and challenging. They are believed to be realistic by all the members of the Task Force but will require the complete commitment of key stakeholders and the satisfactory resolution of several important issues affecting the Port’s competitiveness. The consequences of their adoption and implementation are so profound for the port, the city, and the province that the legitimacy of the group and the chamber to prepare and make public this vision, and the validity of the vision, may be challenged by some stakeholders and certainly by the Port’s competitors. The Task Force believes this should not be considered a barrier to the immediate promotion of this vision.

Time is critical if the opportunities are to be realized, and the competitive threats overcome. The Task Force recommends strongly that the vision described in this report should be introduced to local and provincial governments, then made public at the earliest possible opportunity, so that a detailed action plan can be developed, and implementation begun without delay. The MHCC, with a strong and independent voice, is the ideal group to begin this process effectively. It is our responsibility on behalf of our members, our city and our province to act immediately.

## 2. BACKGROUND TO THIS STUDY

The Port of Halifax has a prime strategic location on the great circle route between Europe and the U.S. north-east. Other natural features include the harbour's deep draught, its ice-free status, and its proximity to the open ocean. These advantages have traditionally allowed Halifax to compete successfully with other major ports in the eastern U.S. and Canada. Recent initiatives have led to the Halifax Port Corporation halving its operating costs over the past eight years (and continuing to operate profitably), and to CN providing double-stacking rail capability and direct access to the U.S. mid-west. These commitments continue to support the port's competitiveness and success.

The Port currently handles close to 14 million tonnes of cargo each year. Economic spinoff from port business accounts for about 7,000 jobs and well over \$300 million in annual direct expenditures in the area. Halifax is clearly a city whose economy is, both directly and indirectly, hugely dependent on business associated with the Port. This is not widely recognized either by the City or by the public.

Despite its natural competitive advantages and success to date, the future for the Port is uncertain. Major changes are occurring in global shipping, such as the advent of container ships too large to use the Panama Canal ("post-Panamax") and mergers or global consortia among major carriers. North America-wide changes in port operations, and in regulatory structures affecting and controlling ports, are accelerating rapidly. The Federal Government is seeking cost-recovery for Coast Guard aids to navigation and ice-breaking, is withdrawing from dredging, is requiring private sector emergency response capacity, and is implementing port reform including potential "commercialization".

The consequence of these changes is that a very small number of ports will become natural "hubs" for global and regional shipping, and will experience huge increases in business volume - if they are able to support and sustain these volume increases. Most other ports will become uncompetitive in their present modes of operation. Some will downsize substantially to remain feeder ports for regional markets only - competing in addition with both road and rail for cargo from the hub ports. Many others will cease to exist as viable commercial ports. It is the consensus of the Task Force that, perhaps with the exception of a major urban centre such as New York which has a huge local market to serve, there will be few or no exceptions to these trends on the east coast of North America.

Halifax, with its natural advantages, has the opportunity to become the major hub port for the North American east coast. However the Port also has internal weaknesses and faces serious threats. If these are not overcome, it will more likely be relegated to a minor port serving its local market. The status quo is not an option. The "Regan Commission" recommended in 1993 that operation of the Port be transferred to an autonomous, private sector controlled Port Authority. This recommendation was reflected in 1995 in the Federal Government's Canada Marine Policy, which was supported publicly by Canada's three major ports. However the Government retreated from this position in its proposed Canada Marine Act, which retains federal control of ports yet abdicates federal responsibility for continued investment. When the Executive Committee of the Chamber realized the significance of these issues and their huge implications for business and the economy in the region, it initiated the Task Force on Port-Related Opportunities, with a mandate to prepare this report.

### **3. TASK FORCE APPROACH TO THE STUDY**

The approach used by the Task Force to identify and define the opportunities related to the Port of Halifax, to analyze these and to reach an agreed vision and recommended direction was based on a conventional strategic planning approach tailored specifically to this study. Considerable flexibility was built in to allow the Task Force to react to the input and views of its members, many of whom have long experience with the Port and the shipping industry. The approach followed is described in some more detail in Appendix 2.

The Task Force first characterized the overall nature of Port business at present (Section 4 of this report), considering all components of Port business, comparisons with other ports, recent trends in business, economic impacts and relevant stakeholders. It then identified external factors that influence the port (Section 5) and completed "SWOT" (strengths, weaknesses, opportunities, threats) analysis for each major component of Port business (Section 6). This led the Task Force to develop a 10 year vision for the Port - what could be achieved if all appropriate stakeholders capitalize fully on the opportunities (Section 7). The Group identified specific and quantifiable targets associated with this vision (Section 8).

The conclusions and recommendations (reported in Section 9) are not comprehensive. They are intended to provide a clear future vision and targets for the Port and its stakeholders. However they are a starting point only for the development of a full action plan and its implementation in the next Phase, which must begin immediately.

## 4. PORT PROFILE AND CURRENT SITUATION

In assessing future opportunities for the port the current “baseline” must be reasonably known (and agreed upon by stakeholders) in order to provide a reference point for moving forward. This section identifies and discusses:

- the primary components of Port of Halifax business
- the position of Halifax in world port traffic rankings
- recent trends in port cargo volumes
- the volatility of port business
- the current working capacity of port operations
- economic impacts associated with port business
- stakeholders in the port

### ***Components of Port business***

The Halifax Port Corporation has overall responsibility for port lands and port traffic, although it represents only one component of the Port’s total operations and business.

General business associated with the Port can be broken down into four types for analysis: cargo, other vessel services, shipbuilding and repair, and ship management. While some overlap and duplication may occur between these types, particularly with respect to the spin-off business and indirect economic effects, the components identified for each business type in Table 4.1 are adequate for the purposes of a straightforward port characterization and for identifying future opportunities. Other business activities, such as shipping/travel agencies, have business volumes that are directly related to the measurement categories below and, therefore, are not independently considered.

Most commercial business in the Port is associated with the four types of cargo, which themselves can be further broken down. Container cargo includes cargo transferred to/from mainline rail, cargo transferred to/from highway transport, and cargo associated with ocean feeder/transshipment routes. Breakbulk cargo includes heavy lift and project-related cargoes. Bulk cargo can be divided into liquid bulk (oil) and dry bulk (dominated by gypsum). Ro-ro cargo includes Autoport traffic.

Table 4.2 summarizes the 1995 breakdown of vessels, vessel size, cargo volumes and values for the four main cargo categories, and for cruise vessels. Container traffic, and to a slightly lesser extent bulk cargo, are the dominant components of traffic through the port when measured by any criterion. This is consistent with global patterns. Container traffic world-wide is increasing faster than, and generally at the expense of, other cargo types. Table 4.2 confirms what is agreed widely in the industry - that container traffic offers most growth potential for the port, although other cargo types may continue to play an important role in the port’s overall business. Containers and breakbulk have the greatest potential for rapid growth since, unlike most bulk cargo, the traffic is discretionary and the ports used by shippers are subject to competitive market factors. Breakbulk is also valuable locally because its handling is labour-intensive.

**Table 4.1 Components of port-related business**

Business type	Business component
Cargo	Containers - mainline rail - highway - ocean feeder/transshipment Breakbulk Bulk - dry - liquid Ro-ro
Other Vessel Services	Cruise Ferry Offshore service and supply
Shipbuilding & repair	Vessels worked
Ship management	Companies

**Table 4.2 Cargo breakdown for the Port of Halifax, 1995**

	TOTAL	Container	Bulk	Ro-ro	Breakbulk	Cruise
Vessels	1,619	695	~400 (est)	~100 (est)	~100 (est)	39
GRT	37,300,000	23,252,000				
Cargo (tonnes)	13,021,000	3,135,000	9,476,000	245,000	166,000	
Cruise passengers						30,000
Average GRT/vessel	23,000	33,500				
Average value/tonne		\$850	\$125	\$1000	\$750	
Estimated value	\$4.3 billion	\$2.7 B	\$1.2 B	\$250 M	\$125M	
Average value/vessel		~\$4 M	~\$3 M	~\$2.5 M	~\$1.2M	
Container vessels						
TEUs		382,000				
TEUs - full		320,000				
TEUs - empty		62,000				
Export tonnes		1,851,000				
Import tonnes		1,283,000				
Bulk (tonnes)						
Oil			5,824,000			
Gypsum			3,247,000			
Grain			304,000			

Notes: Total vessels includes other vessels not of types above

Source for cargo value: "Proposed Options for a Marine Services Fee", Canadian Coast Guard, October 1995

GRT = Gross Registered Tonnes

TEU = Twenty foot Equivalent Unit.



## Port of Halifax position in world port rankings

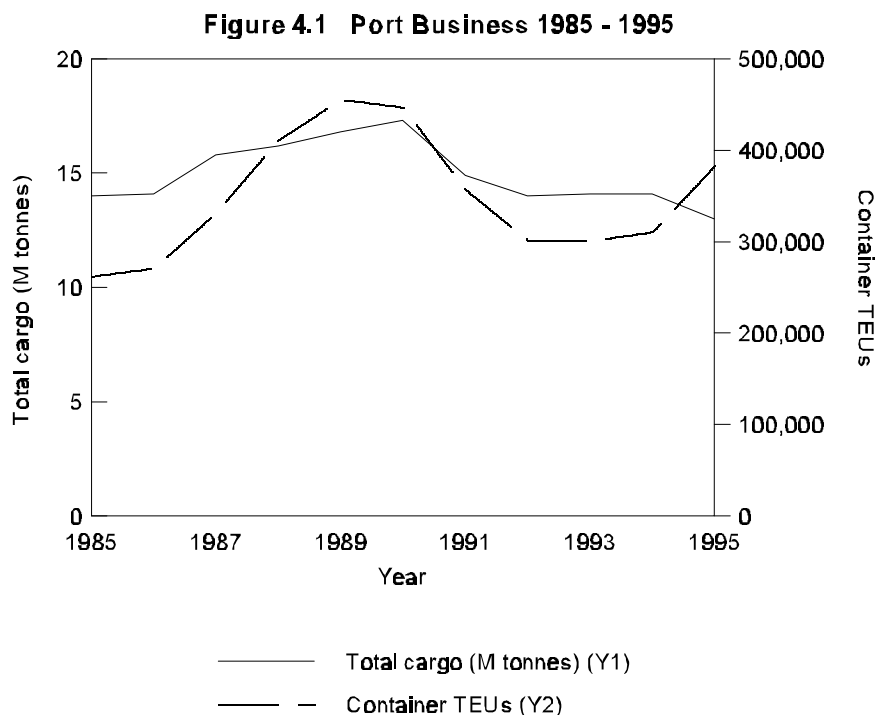
The most relevant data for world ports are those for container traffic. Table 4.3 presents data for the top world container ports, for continental North American ports larger than Halifax, and for other east coast ports considered competitors to Halifax (Source: Containerization International Yearbook, 1996). Data and rankings are also shown for North American ports in 1995 (Source: Halifax/Dartmouth Port Development Commission internal statistics). Halifax was ranked 80th in the world in 1994 and 19th among continental North American ports.

The largest eastern seaboard port is New York / New Jersey, with over 2 million TEUs/year - six times more than Halifax. While the volume of cargo passing through New York is far larger than Halifax, most of this cargo originates from, or is destined for, locations associated with the huge population base in the immediate New York area. This means that New York can maintain and even increase its large traffic volumes while remaining primarily a "local" port (albeit a very large one). The Port of Halifax would not expect to compete for this cargo volume by inland (road or rail) trans-shipment, although serving as a hub port for trans-shipment of part of New York's ocean cargo is possible. Other eastern seaboard ports have less than ½ the container traffic volume of New York.

A substantial (23%) growth in container traffic from 1994 to 1995 resulted partly from a major strike in Montreal, and raised Halifax to 17<sup>th</sup> in North America in 1995. Other than Long Beach, with a 24% container traffic increase, and Norfolk (Hampton Yards), with a 20% increase, no other port in North America increased its traffic volume by more than about 10% and several other ports remained almost static. This substantial growth in Halifax container traffic is also put into perspective by data for the largest world-wide, one-year container traffic increases. From 1993 to 1994 none of the increases at these ports was more than 25%, although the world-wide increase was just over 10%.

Although the one year increase for Halifax appears significant and dramatic based on this comparison alone, a longer timeline is required to make true comparisons. Figure 4.1 shows the fluctuations in port cargo volumes (for total and container cargo) from 1985 to 1995. Business increased by 80% from 1985 to 1989 but then dropped over 30% to 1992.

While other ports have seen steady growth (or decline) Halifax port traffic is discretionary and therefore remains volatile.



**Table 4.3 World container port traffic 1994 and North America container port traffic (1995)**

World Ranking (1994)	Port	1994 TEU	1995 TEU	N. America rank	
<b>Top World Ports</b>					
1	Hong Kong	11,050,000			
2	Singapore	10,400,000			
3	Kaohsiung	4,900,000			
4	Rotterdam	4,539,000			
5	Busan	3,213,000			
6	Kobe	2,916,000			
7	Hamburg	2,726,000			
				<b>1994</b>	<b>1995</b>
<b>N. American Ports</b>					
8	Long Beach	2,574,000	2,844,000	1	1
9	Los Angeles	2,519,000	2,555,000	2	2
<b>13</b>	<b>New York /New Jersey</b>	<b>2,034,000</b>	<b>2,263,000</b>	<b>3</b>	<b>3</b>
20	Oakland	1,491,000	1,550,000	4	4
21	Seattle	1,414,000	1,479,000	5	5
26	Tacoma	1,028,000	1,092,000	6	6
28	Charleston	982,000	1,024,000	7	8
<b>31</b>	<b>Norfolk</b>	<b>896,000</b>	<b>1,078,000</b>	<b>8</b>	<b>7</b>
<b>37</b>	<b>Montreal</b>	<b>729,000</b>	<b>726,000</b>	<b>9</b>	<b>9</b>
44	Miami	629,000	656,000	10	11
48	Houston	580,000	705,000	11	10
not included	Port Everglades		633,000	12	12
49	Savannah	550,000	626,000	13	13
<b>52</b>	<b>Baltimore</b>	<b>531,000</b>	<b>535,000</b>	<b>14</b>	<b>14</b>
<b>56</b>	<b>Vancouver</b>	<b>494,000</b>	<b>496,000</b>	<b>15</b>	<b>16</b>
58	Jacksonville	481,000	530,000	16	15
78	Anchorage	333,000	346,000	17	18
79	Portland, OR	318,000	330,000	18	19
<b>80</b>	<b>HALIFAX</b>	<b>311,000</b>	<b>383,000</b>	<b>19</b>	<b>17</b>
<b>East coast ports</b>					
<b>124</b>	<b>Boston</b>	<b>170,000</b>	<b>160,000</b>	<b>23</b>	<b>23</b>
<b>155</b>	<b>Philadelphia</b>	<b>109,000</b>	<b>na</b>		
<b>World total recorded</b>		1993:	113,000,000		
		<b>1994:</b>	<b>125,000,000</b>		
		1994 increase:	+10.4%		

Table 4.4 compares overall statistics for the Port of Halifax, such as vessel size (GRT) and cargo volumes and values, with Canada's other two major ports, Montreal and Vancouver. Data are for 1994 and/or 1995. GRT is based on a single count per vessel visit to each port. Cargo volumes (and values) include both unloaded and offloaded cargo.

The comparisons in Table 4.4 show several key points that characterize the Port of Halifax as quite different from these other Canadian ports. While Halifax has fewer ship calls, it is visited by larger ships which currently unload or offload only 20% - 25% of their cargo in Halifax while en route to other ports. These larger ships represent the types that would be most active traffic at future "hub ports".

**Table 4.4 Typical annual statistics for Halifax, Montreal and Vancouver**

	<b>Halifax</b>	<b>Montreal</b>	<b>Vancouver</b>
No. of vessels	1,600	2,300	10,300
GRT	33,000,000	28,000,000	82,000,000
GRT/vessel	20,000	12,000	8,000
Cargo (tonnes)	14,000,000	19,200,000	72,000,000
Cargo/vessel (tonnes)	9,000	8,300	7,000
Cargo value	\$4 billion	\$8 billion	\$23 billion
Cargo value/vessel	\$2.5 million	\$3.5 million	\$2.2 million
Characteristics	Bulk 73% Containers 24%	Bulk ~60% Containers 37%	Bulk 83% Containers 6% Export 85%

### ***Volatility of Port business***

Figure 4.1 showed the volatile history of Port cargo business from 1985 to 1995. Several examples of the changes in Port traffic from 1994 to 1995 confirm this volatility, but also demonstrate the potential for major short-term changes in business volumes. From 1994 to 1995:

- vessel visits increased only slightly, from 1,585 to 1,619
- total cargo volumes decreased from 14.1 to 13.0 million tonnes due mainly to a decline in refinery (oil) cargo resulting in a decrease in bulk cargo of 15%
- container cargo rose by 22%
- break-bulk cargo rose by 44%.

## Capacity of Port operations

The capacity of various components of port operations is important since it constrains future growth unless increased. However capacity must be defined differently for each component and it is therefore not easy to determine what percent of maximum capacity the port is currently working at. Table 4.5, showing the Task Force consensus regarding current port capacity, suggests that overall the Port is operating in the range of 70 - 80% of its current total capacity. Several constraints limit immediate growth beyond 40% of the current traffic volume. However if port business were to grow just to this +40% level the economic estimates above indicate that another 3,000 jobs and well over \$100 million in direct spending would result locally. Table 4.6 shows estimated current working capacities for competing U.S. ports suggested by members of the Task Force.

**Table 4.5 Current working capacities of various port components**

Port component	Present utilization of capacity	Capacity readily available for growth
Container handling	65% - 80%	+ 25% - 50%
Breakbulk handling	100%	0% (but expanding)
Cruise ship docking	50% in 1996 (40 ships)	+ 100%
Ship size	While ideal for post-Panamax ships, Halifax lacks facilities to adequately handle post-Panamax container vessels at present	
Rail components (see Note 1)		
Local yards	70%	+ 40%
Main line	30%	+ 250%
Inland terminals	70%	+ 40%
Trained labour	100%	0%

Note 1. As rail capacities are based on flow-through volumes capacity may be increased or reduced by the rate of flow.

**Table 4.6 Perceived current working capacity of competing U.S. ports**

Port	Present overall utilization of capacity	Capacity readily available for growth
Halifax	70 - 80%	25% - 45%
New York/New Jersey	70%	40%
Norfolk	62%	60%
Baltimore	32%	200%
Boston	31%	200%
Philadelphia	27%	300%

## ***Economic impacts associated with Port business***

The economic impacts of the Port in the Halifax area are substantial. Annual direct spending in the region associated with port business is considerably greater than \$300 million and incomes derived from port-related business exceed \$230 million. The number of jobs directly associated with Port operations in 1995 was about 4,300 and it has been conservatively estimated that the total number of indirect jobs generated by port-related business is well over 7,000.

With respect to these economic impacts, the Task Force concluded that:

- these figures are conservative
- they may be scaled for higher or lower port traffic/cargo volumes
- they exclude navy- and coast guard- related economic impacts
- these impacts are relatively independent of other (federal) port activities
- these figures also exclude port-related shippers
- the local community underestimates these impacts

A more comprehensive study to update previous analyses might refine these estimates, but is not necessary to support the overwhelming conclusion that the Port of Halifax is currently a major driver in the local economy. The implications for the city if the Port were allowed to decline to “local feeder” status are severe. A halving in Port business might result in the loss of 4,000 jobs and a decrease in direct spending alone of \$200 million. However, the benefits of the increased business if the Port grew to become a major trans-shipment hub are equally dramatic.

### ***Stakeholders in the Port of Halifax***

Table 4.6 summarizes the various stakeholders associated with the Port and identifies whether they primarily are “part of” the port, affect the port, or are affected by the port. Stakeholders are loosely grouped according to their commonality under these categories and stakeholders who exist only as an integral part of the port operations are identified in bold in the “Part of the Port” column.

The distinction between two primary stakeholders - the Halifax Port Corporation and the Halifax/Dartmouth Port Development Commission - is important.

The HPC is a Crown Corporation of the Government of Canada, with a Board appointed by the Federal Government, whose role is to manage the general commercial operations of the Port, including the federally owned land-based assets associated with commercial Port traffic. The HPC has a staff of about 60. It is now financially self-sufficient, with annual revenues about \$11 million, and after reducing its costs by almost 50% in the last ten years it has recently achieved an annual net income around \$500,000.

The HDPDC reports to a Board with provincially and municipally nominated representatives. It is responsible for promoting the Port and advising other stakeholders on port-related issues. The HDPDC has a staff of 4 to 5 and operates in collaboration with the HPC.

**Table 4.7 Stakeholders in the Port of Halifax**

<b>Stakeholder (Group)</b>	<b>Business/actions are as part of the Port</b>	<b>Business/actions affect the Port</b>	<b>Business/actions affected by the Port</b>
<b>Port Corporation</b>	x	x	
<b>Port Development Commission</b>	x	x	
<b>Pilots/tugboats</b>	x	x	
<b>Coastguard</b>	x	x	
<b>Terminal operators</b>	x	x	x
<b>Labour</b>	x	x	x
<b>Halifax Employers Association</b>	x	x	x
<b>Halifax Shipping Association</b>	x	x	x
Halifax Gateway Council	x	x	x
Shipping lines	x	x	x
Shipping agents	x	x	x
CN Rail	x	x	x
Customs	x	x	x
<b>Shipyards</b>	x		x
<b>Port-based industry</b>	x		x
<b>Surveyors/inspectors</b>	x		x
Shippers/cargo interests		x	
Channelers		x	
Tour operators		x	x
Trade promotion groups		x	x
Financial institutions (lenders)		x	x
Agriculture Canada		x	x
Government - federal		x	x
Government - provincial		x	x
Government - municipal		x	x
Local businesses			x
City (HRM)			x
Freight/custom brokers			x
Truckers			x
Service/maintenance			x
Suppliers			x
Consultants/contractors			x

## 5. EXTERNAL FACTORS INFLUENCING THE PORT

With a few notable exceptions, most operations of the port and local revenue associated with the port, and many of the costs associated with the port operations, are determined by factors that are not significantly controllable by the port-related businesses in the Halifax area. The opportunities and threats for the port therefore depend largely on these external factors that affect the port, its operations and its stakeholders. A vision for the port must assume that understanding these factors, and astutely identifying the best responses to them, will create opportunities that otherwise might not be accessible, and negate threats that might otherwise prove insurmountable.

The Task Force identified two distinct groups of external factors: those directly affecting port operating costs; and those other factors influencing port operations and competitiveness. Within each category the Task Force then subjectively estimated the relative importance of each factor. This allowed these external factors to be grouped according to whether they are considered to be of major and direct significance in influencing the port, of moderate or less direct significance, and of minor or indirect significance. These factors are summarized in Table 5.1.

**Table 5.1 Relative significance of external factors influencing port operations**

Relative significance	Factors primarily affecting port operating costs	Other factors affecting port operations and competitiveness
Major or direct significance	Legislative/regulatory changes (inc. port reform) Rail costs	Trends to "hub" ports / port rationalization Canadian political factors Availability of investment US regulatory changes US harbour maintenance fee changes US port investment "Post-Panamax" ships
Moderate / less direct significance	Labour costs Municipal taxes Costs of borrowing Payroll costs	Canadian/NS economic & export growth Rail service capabilities New port technologies Increasing competitiveness of other ports Other port lobbying Global shipping consortia "Fast" ships
Minor or indirect significance	Environmental requirements	Penalties for shippers leaving other ports Multi-modal trends Cruise ship trends World trading trends Inland costs (other than rail)

Several of these external factors are of critical importance in controlling and affecting the Port's future. Some explanation of these helps explain why the status quo for Halifax is not an option, and therefore why the changes that will occur in future - whether positive or negative - will be so dramatic.

## ***Global Shipping Trends***

Individual shipping lines are being driven to offer improved service, for example through more frequent vessel departures, but their ability to do this is restricted by several factors. Excess capacity limits the opportunity for growth in the total fleet. In addition, recent profitability of shipping lines has been relatively poor. It can improve if larger vessels operate at near full capacity with rapid vessel turnaround in ports. However the efficient economic size of operations required is greater than most global shipping companies can provide. The ability of any one company to finance the capital investments required for "go-it-alone" service strategies is therefore very limited. Concurrently, global manufacturing industries are seeking to rationalize their suppliers in order to streamline their logistics.

The outcome of these trends is rapid global consolidation of shipping lines: fewer, larger container shipping firms; route-specific vessel sharing agreements; and extensive strategic alliances. These are combined with a rationalization of load ports for larger vessels. In 1980 the top 20 carriers controlled 26% of world TEU capacity. By 1995 this control had reached almost 50%, with 16 involved in some type of cooperation agreement. Even more important, in 1990 Booz Allen Hamilton predicted that the main trade routes would support at least 12 major consortia; that number is now only five.

The structure of these consortia is not yet stable. The top shipping lines will continue to inject capacity, and add post-Panamax vessels, into the major trading routes. Halifax, located on one of the three major world trade lanes, is directly affected by these trends and will become either a major port on the North Atlantic trade routes, or become a feeder port. Due to the speed of this consolidation there is no middle ground.

## ***National Marine Policy and Canada Marine Act***

The MHCC and other Port stakeholders, such as the Halifax Shipping Association, have endorsed the view that the creation of an independent, private sector driven Port Authority for Halifax (akin to the new Canadian Airport Authorities) is a critical prerequisite to the Port's future success. This was also the principal finding of the Provincial Task Force on the Future of the Port of Halifax in 1993. In December, 1995 the federal Government announced its National Marine Policy, which was very much in keeping with this philosophy and included proposals to allow for creation of a autonomous Canada Ports Authorities which would be "private sector organizations with a mandate to operate with full commercial discipline".

However in June, Bill C-44, the Canada Marine Act, received first reading. Although it contains some improvements from the status quo, it retreats from the key points applauded in the National Marine Policy and essentially eliminates local autonomy. At the same time as exerting full control over ports the Bill also prevents the Federal Government from providing capital assistance to major ports.



## 6. SWOT ANALYSIS

The Task Force identified “SWOT” factors that will have a significant effect on the future of the port:

- Strengths that the Port can build its future growth upon
- Weaknesses that must be addressed to avoid competitive disadvantage
- Threats to the Port - whether from competing ports, or due to other barriers that must be overcome in order to achieve sustained growth

Opportunities, the last SWOT component, were discussed earlier in the report, and are defined in more detail by the definition of a vision for the Port, and specific ten year targets, in the next sections. The Task Force identified the strengths, weaknesses and threats first for the Port in general, then additionally identified factors for several primary components of port-related business. These factors were not analyzed in further detail as part of this study.

Many of the primary strengths of the Port are those identified earlier as the Port’s natural advantages: its location on the great circle route from Europe to the U.S. eastern seaboard; its size; and its water depth. Other strengths include the good inland rail connections, now right through to the U.S. mid-west with the completion of the St. Clair tunnel, the upgrade to double stack container rail service, and the imminent opening of CN’s intermodal terminal in Chicago.

Halifax has many of the ideal features required of a container hub port, particularly its size and water depth. Post-Panamax infrastructure will be required if the Port is to grow significantly at the expense of its competitors who are already investing to upgrade their own infrastructure.

Halifax as a hub port offers a number of significant benefits for ship management companies. International shipping-related income offers non-resident status (zero Canadian corporate income tax) for such companies resident in Canada. A considerable increase in the number of these companies may also lead to provision of major centre facilities to serve this industry.

Several of the Port’s weaknesses are also “natural”, such as its distance from major inland markets. Some weaknesses are political (e.g. the port’s divided leadership, with the HPC and HDPDC roles overlapping and representing different interests). Other weaknesses impose additional operating costs (e.g. the logistical and operational complexity of separated terminals), or are simply associated with changing shipping patterns that will require further investment. Legislated costs such as Marine Services Fees also pose a significant threat to Halifax which competes directly with U.S. ports.

Overall it is apparent that the Port has many strengths to build future growth upon, with few weaknesses that could not be addressed by willing stakeholders. The competitive threats and barriers identified do not represent insurmountable hurdles impeding substantial growth of the Port.

**Table 6.1 Strengths, weaknesses and barriers to growth for the Port of Halifax**

Type	Strengths	Weaknesses	Threats/barriers
General	No harbour maintenance fee Good inland rail connections Preferential tariff Closest major port to Europe On great circle trading route Stable, competitive labour Size Ice-free Spoke ports nearby Proximity to open ocean	Lack of local control Divided port leadership Separated operations Inability to borrow capital Inland distances Distance from markets Limited local market Legislated costs Lack of private sector involvement	Potential legislated changes Large competitor ports Proximity to New York Taxation levels Montreal political and commercial influence US regulatory changes
Container	Dock space Water depth Ease of access	Inadequate post-Panamax infrastructure Land space availability	Rationalization of carriers Investment by competitors
Breakbulk	Local cargo base Offshore oil & gas	Shed space Steel handling capability Labour cost ~ other NS ports Port costs ~ other NS ports	Many world-class harbours in NS
Autos	World-class handling facility Available space	Limited local market Distance/transit times Rail link through Dartmouth	Shifting markets (eg Germany to Mexico)
Cruise	Location - tourist attractions Near NY - Montreal route Could service Labrador route On transatlantic repositioning route	Short season Legislation re coasting trade Lack of cruise facilities Absence of current demand	
Ship management	Highly educated workforce Quality of life Low cost of living Time zone Potential hub port Good telecommunications No corporate taxation Health care	High personal taxation rates Inadequate direct air access Lack of top-level support infrastructure: - no maritime arbitration - not an international banking centre Not perceived as a "sophisticated" major centre	Bermudan taxation rates Vancouver, Montreal and Toronto as international finance centres

## 7. A VISION FOR THE PORT FOR THE YEAR 2005

The Task Force considered all the factors presented in this report relating to global trends and other external factors affecting the port, potential opportunities for new business, strengths and weaknesses of the Port, and competitive threats and barriers. The group then developed a vision for the future of the Port. This vision assumes that all appropriate stakeholders work together under strong, defined leadership to build on the strengths of the port, address the weaknesses, and overcome the threats and barriers.

The vision defined by the Task Force for the Port of Halifax is that:

**Halifax will, within 10 years, be the major east coast hub port with state of the art facilities serving all cargo sectors. It will be the North American headquarters for several global carriers.**

**This increased activity will result in 24,000 new direct and indirect jobs in the Metro area.**

Halifax would be the hub port serving both inland (rail and highway) and ocean trans-shipment spokes. Ocean trans-shipment would be primarily to other north-eastern seaboard ports but also potentially to ports in the south-eastern U.S., the Caribbean and Central and South America. Direct and regular inland rail connections would make Halifax the preferred port for markets in the U.S. mid-west and beyond.

Driven by its new status as a centre for shipping, and supported by a strong base for corporate operations and an attractive standard of living, Halifax would quickly become a logical and preferred North American headquarters location for shipping lines.

This vision is believed by all the Task Force members to be readily achievable, but only if it is agreed and pursued aggressively by all the key stakeholders. Since the status quo is not considered a viable option, the only alternative for the Port is believed by the Task Force members to be relegation to local feeder status.

## 8. SPECIFIC 10 YEAR TARGETS FOR THE PORT

If the vision of Halifax as the major east coast hub port is to be achieved, there must be a substantial increase in most forms of port traffic. The Task Force identified specific, quantified 10 year targets for each "business revenue component" of the Port by identifying key factors that would determine, assist or limit growth of that component. The group then considered potential interaction effects between business components and revised growth targets where necessary. Table 8.1 identifies these targets.

Current jobs directly associated with each component at present are shown in Table 8.1. To project the number of jobs in 2005 conservatively, allowing for increased efficiencies, the number of present jobs was first multiplied directly by the growth factor estimated for that business component, then discount factors from 0% to 75% were applied depending on the nature of each business component.

Primary growth will be in container volumes. A single major eastern hub might eventually achieve 20% - 30% of the total eastern seaboard container traffic, projected to be in the range 15-20 million TEUs/year by 2005, following annual growth in the range 6 - 10%. The Task Force believes Halifax should target about 2 million container TEUs annually by 2005, a five-fold to six-fold increase from the present volume of almost 400,000 TEUs/year. This 10-year target is about 25% of the current eastern seaboard container traffic, but by 2005 would represent only 15% of the eastern seaboard total. Considerable further expansion potential would still remain at that time.

Two-thirds of current container traffic is associated with mainline rail transfer. This component is projected to increase five-fold. Associated with this growth would be a frequent, dedicated, direct rail link to the U.S. mid-west via the St. Clair tunnel. Container traffic linked to highway transfer, currently about 25% of the total, is mainly associated with the Atlantic Canadian market and is projected to increase five-fold. Ocean feeder and trans-shipment container traffic is the smallest component of present volumes - only 10% or 40,000 TEUs/year at present. However it has greatest potential for growth as Halifax becomes a major hub port. An increase by 2005 to 400,000 TEUs/year is probably conservative, even though it represents a ten-fold increase in this component, since it would be less than 3% of the total eastern seaboard container traffic.

Breakbulk is also identified as a valuable cargo type with significant potential to increase. Attracting global shippers to Halifax is a further key part of the vision due to the high economic spinoff benefits associated with this component. Larger shipping companies will be attracted as more shippers relocate. Increases in shipyard work will also create a significant number of new jobs. The greatest increases in Port business targeted by the Task Force for 2005, will result in:

• container - mainline rail	1,250,000 TEUs/yr	(60% of container)	4,200 jobs
• - ocean feeder/trans-shipment	400,000 TEUs/yr	(19% of container)	2,500 jobs
• - highway	450,000 TEUs/yr	(21% of container)	900 jobs
• breakbulk	660,000 tonnes/yr		975 jobs
• ship management	10 businesses		400 jobs
• shipbuilding and repair			1,600 jobs

**Table 8.1 Ten year targets for increase in business volume from 1995 to 2005**

Business Type	1995		2005			
	Volume	Direct jobs	Increase		Volume	Direct jobs
			Volume	Jobs		
Containers (TEUs)						
- mainline rail	250,000	1,400	x 5	x 3	1,250,000	4,200
- ocean feeder/transshipment	40,000	500	x 10	x 5	400,000	2,500
- highway	90,000	300	x 5	x 3	450,000	900
Subtotal	380,000	2,200	x 5.5	x 3.5	2,100,000	7,600
Breakbulk (tonnes)	166,000	325	x 4	x 3	660,000	975
Bulk (tonnes)						
- liquid	5,824,000	80	x 1.5	x 1.5	8,700,000	120
- dry	3,651,000	115	x 2	x 2	7,300,000	230
Ro-ro (tonnes)	245,000	360	x 2	x 2	500,000	720
Cruise (vessel calls)	40	200	x 3	x 3	120	600
Ferries (services)	0	0	+1		1	50
Barges (services)	0	0	+1		1	300
Offshore (vessel calls)	250	200	x 3	x 2.5	750	500
Shipbuilding/repair (vessels worked)	50	800	x 2	x 2	100	1,600
Ship management (companies)	1	20	x 10	x 20	10	400
<b>Total direct jobs</b>		<b>4,300</b>				<b>13,100</b>
<b>Indirect jobs</b>		<b>7,000</b>				<b>22,000</b>
<b>Total jobs</b>						<b>35,000</b>
<b>New direct jobs created</b>						<b>+8,800</b>
<b>New indirect jobs created</b>						<b>+ 15,000</b>
<b>TOTAL JOBS CREATED</b>						<b>+ 24,000</b>

## 9. CONCLUSIONS

1. The Port of Halifax, currently the 3rd largest in Canada and the 5th largest on the eastern seaboard, is a major but underestimated driver in the local and regional economy. It has experienced large swings in business volume over the past ten years but has recently seen strong growth in container traffic - the most significant cargo mode in global trade.
2. Due to major changes occurring in global shipping, "hub" and "spoke" or "local feeder" ports will develop further on the major world trade lanes. Halifax is located on one of the three largest lanes - the North Atlantic route between Europe and the eastern seaboard of North America. Hub ports will see substantial growth in traffic, particularly container volumes which will increase at close to 10% per year for the foreseeable future. Feeder ports will be relegated to serving local markets only. Other ports will become uncompetitive and will no longer receive any significant trade.
3. Halifax has many natural advantages that make it an obvious candidate as an eastern seaboard hub port, or even as the major hub. It also has some current significant weaknesses, particularly the consequences of political factors, that will prevent the Port achieving its hub potential and in fact will guarantee its relegation to feeder status unless they are addressed immediately.
4. External factors, which strongly influence Port costs and other Port operations, are at present largely beyond the Port's control but will play a strong role in determining the port's future direction. Many of these have positive consequences for Halifax. However a number are negative and may fatally obstruct the sustained development of the Port. Stakeholders in the Port of Halifax have a short window of opportunity to influence these factors and ensure they do not remain as obstacles to the Port's development.
5. Changes to Canadian port operations associated with Bill C-44, the Canada Marine Act, could potentially provide the Port with all the tools it requires to establish itself as the major eastern seaboard hub. However the current bill retreats from key positions established by the National Marine Policy in 1995. The arguments for these retrenchments are unsupportable. Without provision for local autonomy and control, and unfettered investment, the Port will not have the ability to control its own future. This autonomy is essential if hub port status is to be achieved.
6. If the Port of Halifax is permitted to take advantage of its strengths, address its weaknesses, and influence the external driving forces without constraint, and if all key stakeholders unite to achieve this vision, Halifax will become a major eastern seaboard hub port within ten years. The total business volume will increase about six-fold during that time. As many as 24,000 new direct and indirect jobs will be created, and as much as \$2 billion in direct local spending will result.
7. If the future actions of the Port and its stakeholders continue to be constrained, the Port will be relegated to a minor eastern feeder port with less than half its present business volume.
8. **There is no other realistic and viable option for the port. The status quo will not continue.**

## 10. PRINCIPLES AND RECOMMENDATIONS

### *Principles*

- P1. The status quo is not an option for the Port of Halifax. The Port will be relegated to minor status if the recommendations of this report are not followed. Major negative impacts on the local economy, and loss of jobs, will result. The Port should instead grow rapidly to become a major east coast hub port.
- P2. The Port of Halifax can only achieve its potential if all key stakeholders, including the Province of Nova Scotia and the Halifax Regional Municipality, work together without being subject to significant external constraints.
- P3. A private sector approach with full local control, autonomy, ownership responsibility and with the exclusive mandate and powers to expand the Port of Halifax is required for the Port to achieve the vision and targets identified in this report.
- P4. The Port should not be subjected to any external regulatory, policy, marketing, operational or financial restrictions other than those provided by the competitive market.
- P5. Major stakeholders and investors in the Port should have an active role and voice in determining the directions taken by the Port.
- P6. The Canada Marine Act, after revision to be fair and workable, is the appropriate instrument to allow implementation of the recommendations in this report.

### *Recommendations*

- R1. All key stakeholders must agree upon the principles contained in the conclusions to this report and must commit to working together, without qualification, to achieve the vision of Halifax as a major east coast hub port.
- R2. All levels of government must work with other stakeholders to create a new Port Authority, controlled and driven by the private sector, and assign this Authority full responsibility for the future development of the Port. The new Authority should take over the current functions of the Halifax Port Corporation and the Halifax Dartmouth Port Development Commission.
- R3. The new Port Authority must provide dynamic and strong leadership and be driven by a primary mandate which is to achieve the vision and targets identified in this report.

- R4. The new Port Authority must:
- have full responsibility for the Port, including its marketing, its operations
  - assume ownership or unrestrictive long-term leasing of port assets
  - be private sector controlled but with municipal, provincial and federal representation
  - include representation from major equity investors in the Port, including CN
  - be locally controlled and focused solely on the port
  - have no other significant local, regional, national or industry sector policy constraints
  - be fully autonomous and self-directing
- R5. Major stakeholders, including CN, should be allowed and encouraged to hold an active interest and position in the Port Authority to maximize their incentive to invest in the Port.
- R6. The Halifax Employers Association and other Port-related organizations must operate independently and autonomously in the best interests of the Port.
- R7. The Canada Marine Act, and other legislative tools such as the Canadian Coast Guard cost recovery initiatives, should establish a fair regulatory environment that eliminates any and all barriers or disincentives for the Port of Halifax to achieve its potential status as one of the world's major ports.
- R8. The Canada Marine Act must be modified to allow:**
- **establishment of the new Port Authority with the mandate defined in these recommendations, followed by;**
  - **rapid implementation of the other recommendations in this report.**
- R9. During the transition to the new Port Authority, all future stakeholders must:**
- **identify what upgrading of Port facilities is required, and required timing**
  - **determine the cost of this upgrading and identify preferred means for financing**
  - **identify a schedule for implementation, to commence immediately.**

**The opportunity in front of the Port of Halifax is nothing less than for the Port and City to regain the relative global status, prominence and position of wealth in North America that the city held in the nineteenth century. *There is no significant disadvantage to any other group within the region or within Canada that would result from the Port of Halifax implementing all the above recommendations to achieve this status. Halifax's primary future competitors are U.S. ports, not Canadian ports.* With a major world port, Nova Scotia will move from "have-not" status in Canada to be a "have" province and a major contributor to national wealth and prosperity.**



# APPENDICES

# APPENDIX 1

## TASK FORCE MEMBERS

Don Elder (Chair)	Member of Board of Directors, MHCC Vice-President, Jacques Whitford & Associates Limited
Michael DiPenta	Manager, Ports - Halifax, Overseas Markets, Canadian National
Patrick Morin	President, Halterm Limited
Fritz King	Chair, Halifax Shipping Association General Manager - Commercial Services, Atlantic Container Line AB
Wade Elliott	Executive Director, Halifax-Dartmouth Port Development Commission
Valerie Payn	General Manager, MHCC
Mary Brooks	Vice-President of Policy, MHCC Director of the Centre for International Business Studies, Dalhousie University
Ann Janega	Chair, Transportation Committee, MHCC Executive Director, NS Home Builders Association
Michael MacDonald	Chair, Greater Halifax Economic Development Partnership

## APPENDIX 2

# TASK FORCE APPROACH

The Task Force undertook the following steps to compile relevant information, analyze the issues and develop its consensus vision of the port-related opportunities for Halifax.

### ***Port profile and current situation***

Based on an approximate breakdown of port business using available data for 1994/95, and additionally on information from individual members, the group characterized the overall nature of port business considering factors such as cargo types and volumes, vessel types and numbers, types, sizes and numbers of companies doing business associated with the port, revenues in various categories, employment in various categories, and other measures of business volume specific to certain business types. The group then identified, obtained or estimated:

- comparative traffic volumes for other competing ports
- recent trends in port traffic
- what % of full capacity various “bottleneck” components of the port are presently working at
- local and regional economic impacts
- local stakeholders - affecting, directly involved in, or affected by the port

### ***External factors***

The Task Force identified the external factors potentially impacting the port and its businesses, then:

- separated these into cost and other factors
- identified where like factors were best grouped
- qualitatively rated the overall importance of each factor
- separated factors into “relative importance” groupings

### ***Vision***

After identifying and discussing in detail the current status of the port - in isolation and relative to its competitors - and external factors influencing the port, each member of the Task Force wrote in 25 words or less his/her vision for the port as it could exist within 10 years - by the end of the year 2005. Each member was to describe a vision reflecting the potential of the port that was definitely possible, but not likely without significant effort by and teamwork among stakeholders. The group then:

- tabled each vision statement
- identified common elements (which were many) and agreed upon precise definition of these
- discussed, and included or rejected elements that were not common to most statements
- identified and added other elements that may have been missed
- organized and refined the combined elements and prioritized the major elements
- developed and agreed an overall vision statement
- identified additional statements that refined or qualified the vision statement, where necessary

### ***Specific 10 year targets for the year 2005***

In order to identify specific, quantified targets associated with the vision statement, the Task Force reviewed the quantified profile of the port at present, then for each "business revenue component" of the port identified (e.g. "containers"), and consistent with the overall vision:

- the best indicator of the business volume associated with that component
- the key factors that would determine, assist or limit growth of that component
- the % growth that should be achieved in that business volume by 2005
- the resulting business volume by the year 2005
- the potential effect on each other business sector of the growth in that sector
- the revised growth targets after considering interaction effects

### ***SWOT analysis***

The SWOT analysis (strengths, weaknesses, opportunities, threats) completed at this point was a continuation from the identification of opportunities (and threats) in earlier analysis, and in particular the identification of external factors influencing the port. The Task Force took each "business revenue component" determined earlier. It then identified with respect to the opportunities and threats involved in capturing and increasing each type of business:

- strengths of the port and its businesses - actual or potential
- weaknesses of the port and its businesses - whether "fatal flaw", "temporary barrier" or "ongoing constraint"

### ***Conclusions, recommendations and reporting***

Conclusions were identified, stated and discussed at various points throughout the work by the Task Force. In many cases specific recommendations associated with these were obvious. Where they were not, the group discussed the preferred direction to be followed in order to achieve the specific targets and the overall vision for the port. The Chair prepared the draft report, consulting where necessary with Task Force members to clarify some areas and to obtain additional information in others. For example, in order to agree on quantified 10 year targets during the meetings, estimates rather than actual current data were used to define the present port profile. These data were refined slightly by replacing estimated data with actual data between and following the meetings. The draft report was circulated to the Task Force members for comment prior to submission to the MHCC Executive Committee.

Several briefings were also provided during the Task Force's term to the Transportation Committee of the MHCC, and also to Mary Brooks, Vice-President of Policy for the Chamber, who was not able to be present at all meetings.