

Karen Oldfield
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Pier 21, Heritage Hall**

Let me set the record straight.

The management team at the Port of Halifax does NOT think it is a real estate agency.

We know we have responsibility for one of the most important assets in this city, this province and this country.

And because YOU are our shareholders, we are absolutely focused on our core business – building cargo volumes and growing Canada's Atlantic Gateway to the world.

The container business is global – volumes are not something that rise on effort alone or fall on lack of effort alone.

There are a huge number of factors that come into play. Global trading patterns, currency rates - including the value of the Canadian dollar, trade agreements, government support, interest rates, price of bunker fuel oil, weakening of US Economy, size of local markets, industry consolidation, what's happening in other Ports, the geographic location of the most profitable markets for shipping lines.

So I'll just pull two factors and think back 5 years:

- 5 years ago Canadian dollar was trading at 64 cents
- Today it is trading at about par

- 5 Years ago the price of a barrel of oil was \$25 dollars
- Today the price is hovering around \$100

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The exporters in the room will know that the rise in currency value means a 60% increase in your service relative to your US competition – not an easy factor to overcome in this market.

And everyone here can relate to fuel costs increases – magnified substantially when you are moving a 5,000 TEU vessel and burning 160 tonnes of fuel per day.

Our job, along with our partners, the terminal operators and CN, is to convince shipping line executives sitting half way around the world, to commit a string of vessels worth anywhere from \$0.5 Billion and up, to rework their global chain to move business to our Gateway.

And I want to assure everyone in this audience here today, that our Port has world-class partners, with world-class industry knowledge and world class expertise...

... Partners like the number one railroad in North America, CN.

... Players like Macquarie Infrastructure Partners with an in-house team of shipping industry experts around the globe and a strong team in Halifax

... Partners like Ceres/NYK which has a long history as a world-wide shipping conglomerate with another strong team in Halifax

This is an 'A' Team, a team that collectively has invested over \$225M of their own money in our city this past year alone.

A team, that if I could grade on effort and effort alone, would get no less than 5 stars.

So, where are we?

Well, we are faced with volumes that go up and down based on all of the above.
And, so where are we?

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We've had highs and we've had lows. One of the worst years in recent memory was in 1998 but volumes worked their way back up. In 2005 we hit a record-breaking year, an all time high.

Long-term success simply doesn't happen overnight. Sometimes there are disappointments along the way. It's part of the territory – and it's not the fun part!

So, what is the story behind the numbers?

I have already mentioned one – the strong Canadian dollar.

Another challenge is, like everybody else, we are in a global competitive market.

Ports like Norfolk, Virginia, with a new 400 acre state-of-the-art terminal and a \$400 million rail upgrade straight through to Chicago paid for by the US Government.

Ports like Savannah, Georgia, where every level of government came together around a strategy tying cargo growth to the retail sector.

Even New York/New Jersey where the US Corps of Army Engineers has spent billions of dollars on dredging, and the Port Authority itself is spending millions to upgrade the on-dock rail.

So, now US ports are enjoying the competitive advantage of a lower USD while we are challenged by a higher Canadian dollar.

Industry consolidation is another challenge that we have no control over. Ten years ago, the top 5 shipping lines controlled a quarter of the world's container capacity. Today, the top 5 control more than a third of the world's container capacity – a larger % of a much bigger #. Halifax had 2 back to back years in which consolidation of a line calling the port led to a drop in volume. Nothing to do with Halifax, but all to do with a line going somewhere with a larger critical mass of people. That hurt.

The increased cost of bunker fuel has contributed to container vessels calling fewer ports – not helpful in trying to grow Halifax.

So this is what I want you to take away today:

There's an industry-wide shift to bigger ships calling on fewer ports. And the ports at the top of the list are mainly ports which serve large local populations which makes our job at the Port of Halifax all that more challenging.

The entire population of Atlantic Canada is just 2.5 million people – we do not have a large local population. That is not going to change anytime soon.

So, 70 percent of what comes in to Halifax by ship goes out to other markets in Montreal or Toronto, or the US Midwest by rail.

Halifax is really a land bridge to other, lucrative markets in North America. And what links us to those markets is CN.

CN is our lifeline – plain and simple.

We rely on them and they rely on us. When they have a setback, we have a setback. When they do well, we do well. We have a mutual relationship that we need to foster and build for the benefit for CN, the Port, the City of Halifax, the Province of Nova Scotia and Atlantic Canada.

So when a shipper decides to stop using CN rail over a service issue -- as recently happened with Caterpillar – CN's problem became our problem.

How do we win the Caterpillar business back?

We work with our partners, we co-operate and find the way ahead together, even when things go wrong or the going gets tough.

With the Caterpillar business, we are working very closely with CN and with the shipping line, ACL. The issues are being addressed and Caterpillar could – I stress could -- return to Halifax -- because it makes business sense for the customer.

But there's no guarantee. And this one shipper demonstrates how absolutely dependent we are on every link of the supply chain working perfectly.

Those are some of our challenges. But what are doing to meet those challenges and continue to build cargo growth?

Consider:

In China and India combined, there are more than 2.4 billion people.

In India, still very much a developing country, there are more millionaires than we have people in Canada. Last year, India produced a BILLIONAIRE every 6 weeks.

We can't afford to sit and wait for the world to consume us – we have to go to them. And we have to convince them on the merits of a strong business case.

That's what we've been doing and that is exactly what we will continue to do.

The Port of Halifax is Canada's Atlantic Gateway to the hottest markets in the world.

- 1,500 nautical miles closer to India than any west coast port;
- 1 full day closer to Southeast Asia than any other east coast port;
- Shorter transit times, no congestion and unequaled rail capability.

Where the growth markets are emerging – the Port of Halifax is making the case – in China, South America, the Far East and the Caribbean.

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We go to India twice a year – I was just there in February with Minister Peter MacKay and many others on an Atlantic Gateway mission.

For us, India is a long term-strategy but we are seeing signs of progress.

Two years ago, when I made my first trip, no one had ever heard of Halifax or Nova Scotia. Last month, the director of logistics for a company which is the number one manufacturer of ink in the world, drove 400 kms to meet with HPA. We met for half an hour and even though we invited him to join the Gateway Mission for the day, he turned around and drove right back to his headquarters. 800 kms just to spend one half hour with HPA – I was totally amazed by his interest and by the opportunity his company – the biggest ink manufacturer in the world – represents to us.

Every global business looks for new and different ways to increase trade.

You know, two years ago we did something that had never been done in the 250 years Halifax has been a Port – we opened an office outside of Halifax, in Delhi and Mumbai, in India. And this past year, we opened another office – this time in New York/New Jersey – and we hired a Commercial Director, Paul DuVoisin.

This is the first time in the history of the Port, we have a senior shipping line executive with Paul's experience, dedicated to ensure the Halifax advantages are shared with senior decision makers in a key market – That's good business – a key person mixing with key decision makers in a key market.

More importantly, here is an example of the value he brings to the table – I've mentioned the high cost of bunker fuel and how it has forced shipping lines to look very hard at the additional costs of adding another port of call.

Paul knew that was a disadvantage for most ports. He also recognized it as a great opportunity for Halifax to capitalize on its many other advantages ...

... like the fact that we're closer to the hot markets than other eastern seaboard ports.

... like the fact that our overall Port costs are extremely competitive

So now:

On one piece of paper we can show how shipping lines save money for every hour they spend in Halifax compared to the big, congested Port of New York.

To a shipping line moving cargo to the US Mid-West – that means something.

A moment ago, I was talking about taking Halifax to the world – sometimes the world is not as far away as we might think.

We are also spending more time in Toronto and Chicago, working directly with shippers like Canadian Tire, Loblaws and Wal-Mart and yes Caterpillar - to make sure they know the Halifax advantage. This emphasis on shippers is a new initiative for the Port, and one which we consider very important to capture cargo.

Bottom line is we are spending more time, energy... and yes money to bring more cargo business to Halifax.

And we are investing our money where we actually do have a direct impact on cargo traffic – we are investing it in infrastructure.

And here, things are happening. Each year, we sit down with our two key customers, the terminal operators Ceres and Halterm, to map out a priority list for capital. And then, working together, we get it done.

Over the past 3 years we have spent \$51 million on cargo-related infrastructure. This is separate and apart from dollars spent on any other business. This is the most significant capital spend on cargo infrastructure in the history of the Port of Halifax.

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And we have taken other important steps to ensure that the Port of Halifax is the best port on the eastern seaboard for global shipping. Steps that are firsts for the Port of Halifax – and seen as cutting edge around the world.

Let me share a few with you.

For one, we've worked with Xwave, the Pilotage Authority, Harbour Pilots and the Halifax Dartmouth Bridge Commission to develop and implement the first real-time suspension bridge clearance technology. It's so successful Xwave is now marketing/selling that technology to other ports and cities around the world.

The Port of Halifax, is the first east coast North American port which deepened its berths to 16 metres. We did that to accommodate post-Panamax ships. We can handle the biggest ships in the world – period.

We were also the first port in Canada to install container tracking. So we know that In 2007, HPA's on-dock dwell times – the time a container sits on a terminal before it goes to its final destination –were the shortest times in Canada.

The American Association of Port Authorities liked this technology so much they honoured us with an award for innovation.

We are proud of all of these advances and proud that we help other local businesses to achieve success in their fields too!

One other first – the first Canadian port to obtain a credit rating. Just last August, we received an "A" from Standard and Poors. The biggest reason for the rating: our business is diversified.

The most important thing about our rating, is that the Halifax Port Authority has the financial ability to reinvest in core business – cargo.

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And we are doing it because cargo -- especially containerized cargo -- is our number one priority. For every container vessel we touch in the Port of Halifax, there are 3 ½ person years of work. That's why attracting more cargo to our Port is job one.

But our number two, comes in very close second -- that is our cruise business.

For every cruise vessel, it is 2 person years of work and 2008 is going to be a banner year for cruise. And not just for the port but for the city and the province.

- 131 ships calling
- 220,000 passengers
- 100,000 crew
- \$25 million dollars will be spent in Halifax

I don't have to tell the Chamber how big this is. 320,000 captive consumers in a 6-month period! I invite you to find the way to make this opportunity work for you.

We have a great chance before us as a gateway -- by working together with our partners and stakeholders to promote the assets of the Port of Halifax, we will grow.

And we're not alone with this focus - terminal operators, shipping lines, logistics companies, importers and exporters, longshoremen, truckers, CN and all three levels of government are working with us on this business.

I don't believe we've ever had this kind of alignment and single-mindedness among the port's many partners.

And we have had a great champion in Minister MacKay, who led our Mission to India. He demonstrated -- not just his commitment in seeing the Port of Halifax achieve its goals as the Atlantic Canadian Gateway to the world but his sincere interest in seeing all of its stakeholders benefit from one of Canada's greatest natural assets.

There really is a whole lot more to 'marketing' the Port of Halifax than simply what I do

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and what the HPA team does. And that's to mention the support of Premier Rodney MacDonald and the province – and many others like our stevedores, crane operators and the many workers who give the Port a reputation of a stable and safe place to do business.

Attracting business and providing service to the customer also impacts our two terminal operators, Ceres/NYK, Halterm/Macquarie and to CN.

These three companies have a huge vested interest in our Port.

And they are the companies that put their names on the dotted line of a contract with a customer. They are the companies that must provide the front-line service to shipping lines calling our Port.

This community and this Province needs Ceres and Halterm to be successful, to generate more business, to take up more of their capacity so that they can gain the economies of scale that will make us even more competitive as a Port. When we grow – we grow together.

No port is simply entitled to growth. We have to fight tooth and nail for every customer... earn their business and their loyalty through hard work... and position Halifax for long-term growth by being innovative, smart and efficient.

When the waters get a little choppy, and rest assured, they have and they will, we can rely on the fact that Nova Scotians are known for pitching in, working together and doing their part to ride out the rough waters.

That's why we are pleased with the support of the Chamber and many of you in the audience today. Thank you for your support.

We continue to plan together, work together, sometimes disagree, but always with the best interests of the Port of Halifax, City of Halifax and the Province of Nova Scotia.

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Let's keep working together. And we will grow. As a port, as a city and as a province.

Thank you.