

**Captain Gordon Houston address to:
9th CTA/RAC Annual Workshop
April 14, 2005**

Good afternoon.

I'd like to thank the Railway Association of Canada for the opportunity to speak to you today about port infrastructure development, and the issues and priorities facing the Port of Vancouver.

I've been doing a lot of speaking and advocacy on this issue for the past 18 months. And I know my fellow panelists are equally motivated to ensure that the infrastructure needs of our gateway ports and the transportation needs of Canadian industry are met over the next 10 – 15 years.

These are critically important issues for our country. Not only do we have a great deal to gain if our transportation industries can respond to the huge increase in Asia-Pacific trade forecast over the next decade.

We also have a great deal to lose if we can't respond effectively. Canadian export industries, consumers, workers, communities and the national economy will all suffer.

And they're not just important issues for our ports to grapple with. I believe that all of the players in Canada's transportation network have a vital role to

play to prepare our nation to compete on the international stage in the years ahead.

It's not just ports and railways. It's our trucking companies and distribution partners. It's our customers here in Canada and overseas. And it's the communities that host Canada's international ports.

And particularly, there is a critical role for government to play. Our future success will require not only public investments and public policy that responds to the competitive threats and opportunities that confront Canada's transportation industries.

It will require leadership and vision. It will require a true partnership between the public and private sectors.

I know all of the government officials in the room today recognize that Canada's transportation system is a critical component of our nation's infrastructure.

But I also want you to understand our transportation system is fundamental to the nation's economic future. Without a healthy, growing and competitive national transportation system we simply cannot have a healthy, growing and competitive economy.

As you'll hear today, the opportunities for Canada to enhance its share of Asia-Pacific trade over the next few decades are enormous. You in government have a huge responsibility to help us capture those opportunities for the benefit of all Canadians.

We need your support if we are to grow, to invest, to compete and to win on the international stage.

Our business at the Port of Vancouver is growing rapidly.

Total tonnage through Canada's largest gateway port increased 11 per cent last year to 74 million tones, and is expected to increase by 10 per cent annually through 2020.

You are also aware of the tremendous increase in container traffic forecast for Canada's west coast ports. At the Port of Vancouver, it is projected that container volumes will more than triple to nearly 5 million TEUs within 15 years.

This remarkable growth is due in large part to the re-emergence of Asia – and particularly China – as a dominant force in world trade. But its not just container traffic that China's incredible economic expansion is driving.

China's manufacturing and domestic construction sectors are also creating tremendous export opportunities for Canada's resource industries – our minerals industry, coal producers, petrochemicals, agriculture, and forest product companies.

For the Port of Vancouver, this represents a kind of Double Jeopardy.

You have to remember that even though container volumes handled at the Port of Vancouver will more than triple over the next 15 years – we are still predominantly an export port. More than 80 per cent of our volumes are bulk exports of Canadian resource commodities.

So at the same time we're facing unprecedented year-over-year growth in container volumes, our customers in the bulk business are also moving to respond to tremendous market opportunities in China.

I know this fact isn't lost on our partners in the Canadian rail industry – because the track carrying Canada's resource products to our ports for export are the same ones trying to accommodate the ever-growing volume of containers flooding our shores

Canada is a trading nation and a great one. Our focus on international markets has facilitated economic expansion and economic opportunity

throughout the country, and has generated the kind of growth opportunities we're seeing today.

But what we've done in the past will not guarantee our success in the future. As a transportation industry, we must respond to the growth opportunities and competitive pressures we're seeing in the marketplace today.

If we don't, we will not only lose the opportunities associated with expanding Canada's international trade and domestic transportation sector. We run the risk of losing the market share we've worked so long and hard to develop to our competitors in the United States.

Here's a sobering thought.

For all of the noise we make about the huge impact that China is having on our economy, we're actually number 17 on their list of trading partners. We account for about 1% of their exports, and about 60% year-over-year growth in international trade volumes.

So imagine the impact of doubling or tripling our trade with the world's fastest growing economy. Imagine what it would mean for our ports, our

railways, our roads and distribution centers with today's infrastructure and today's legislation. We're already struggling to keep up with our 1 percent share of China's export trade.

But shouldn't we be striving to grow. Shouldn't we be striving to increase our market share? Shouldn't we be striving to enhance our position as one of the world's great trading economies?

The answer is clearly yes. And yet we have so much work to do to develop the transportation infrastructure, the capacity, the efficiencies and the linkages necessary to play an even larger role in international trade. So for those in government it requires changes to policy, legislation and regulation to allow private sector businesses to seize these opportunities.

One final thought on the question of competition.

It is not just Canada's ports and transportation system that is struggling to keep up with the tremendous increase in trade volumes. The very same issues are confronting our competitors at the Port of Long Beach, Seattle and Tacoma.

But our rival ports on the West Coast of North America – as well as their partners in road, rail and government – are also moving to address infrastructure and capacity issues.

They're raising capital, designing new projects, forming partnerships and seeking solutions to maintain and enhance their share of Asia-Pacific trade.

This is to be expected. The fact is North America's ports and transportation providers will respond to the tremendous growth opportunities forecast over the next 15 years.

There is no intrinsic shortage of capacity out there – but a competition for growth. So it's not good enough for Canadian ports to simply respond to marketplace opportunities in our own time and in our own way.

We have to compete. We have to improve our competitive offering by developing new capacity, greater efficiencies and responding to our customers' needs.

And we need the help of our federal and provincial governments to do that. We need a vital partnership between the public and private sectors to ensure that our ports and transportation industries can compete and win future business.

It's not simply a case of 'If we build it, they will come.' We have to compete. And that means we have to work together.

As many in the room may know, we have five discrete projects planned or underway to expand container terminal capacity at our port.

Two of them, already underway, will add capacity to existing container terminal facilities on the south shore of Burrard Inlet.

Another would add a third-berth to the existing Deltaport container terminal at Roberts Bank in Delta, B.C.

Yet another could turn an existing break bulk terminal on the north shore of Burrard Inlet into a container terminal.

The last and most significant would create an all-new, world-class three-berth container terminal at Roberts Bank.

In total, we expect to add a new container terminal facility or upgrade an old one every two years between 2006 and 2020.

Capital cost for these projects is estimated to be about \$1.4 billion.

They will increase container terminal capacity at our port to more than 5 million TEUs. And they will generate an estimated 38,000 direct jobs across Canada.

So the Port of Vancouver has a pretty well defined infrastructure development program over the next 10 years. These projects are not a fait d'accompli. There are many issues and challenges yet to overcome.

But we do have a clear vision of what we need to accomplish, and a clear plan for how we're going to get there.

In fact, our plan at the Port of Vancouver is part of a broader plan that the Government of British Columbia – working with the province's ports and other transportation stakeholders – has recently completed.

It's called the B.C. Ports Strategy, and it identifies not only the infrastructure development that must occur at Canada's Pacific ports to capture the Asia Pacific trade opportunities before us.

It also identifies the public policy and competitiveness issues we must address to optimize our growth for the benefit of all British Columbians and all Canadians.

The B.C. Ports Strategy is only a start, but is indicative of the kind of coordination and partnership between government and industry that will be required to achieve our vision for Canada's transportation sector. There is much more work to do.

Based on expansion at the Port of Vancouver, the Port of Prince Rupert and Fraserport, the B.C. Ports Strategy forecasts total container volumes on Canada's West Coast will grow to as much as 7 million TEUs by 2020.

In combination with expansion to our breakbulk and cruise businesses, this level of growth would create 45,000 new direct jobs across the country, while contributing an additional \$3.1 billion to Canada's GDP each year.

Again, these are very significant benefits. And they will accrue to industries, companies, workers and communities right across our country.

Of course, the main area of growth at B.C. ports in the years ahead will be container traffic.

And I want to point out that our goal is not merely to maintain our current market share in a rapidly expanding market. Our goal is to aggressively grow our market share in a rapidly expanding market.

Today B.C. ports handle about 9 per cent of total container traffic at Pacific coast ports. If we achieve 6 million TEUs by 2020 – that’s the mid-range of our 5 – 7 million TEU goal – we’ll secure a 15 per cent share.

If we’re very successful, we could achieve an even larger market share – as much as 16 per cent or 17 per cent. And every additional percentage point of market share translates into \$250 million in GDP and 4,000 direct jobs.

Of course, port infrastructure development will be key to securing this growth and the attendant benefits for Canadian industry and Canadian workers. But it’s far from the only infrastructure requirement.

We will also require significant enhancements to the intermodal transportation network that supports British Columbia’s gateway ports.

The B.C. Ports Strategy estimates that capacity on B.C.’s southern corridor transcontinental mainline rail system must be increased by 30 per cent by the year 2008. And we’ll require comparable enhancements to our highway system.

In fact, the B.C. Ports Strategy suggests that total public and private sector investment in British Columbia's strategic transportation system – its ports, railways and roads – will approach \$4 billion by 2020 if we are to achieve our growth forecasts.

We have to ensure that our integrated transportation system – our ports, our railways and our roads – together present a competitive, efficient and cost-effective offering to our customers.

And we are making progress. As a result of collaborative efforts by our terminal operators and our partners in the railway and trucking business, the Port of Vancouver has achieved operating efficiencies that, in some cases, approach 80 per cent.

These kinds of gains are extremely powerful and extremely important. Not only do they deliver quality of service benefits to our customers.

They also enhance the competitiveness of our transportation industries, and forestall the need for capital intensive infrastructure projects.

Of course, there's a great deal more we can do to use our existing transportation infrastructure more efficiently. For instance – prioritization.

I have to give Canada's railways credit for the work they've done to develop efficiencies in their business painful as it has been for some of us. In fact, we've all been scrambling to push every container along the logistics chain as quickly as possible, only to have some boxes sit on docks or railways for days and even weeks waiting for their receiver to need them.

I think it's time that we look at prioritizing our container business, so that shippers pay a premium for expedited delivery and less for regular delivery.

But applied to our business, it would create tremendous efficiencies, tremendous marketplace opportunities and tremendous incentives to invest.

There are other examples of how efficiencies can and will be achieved within Canada's transportation system.

For instance, moving to a truly 24/7 operations system. Although our country's docks, ships, trains and trucks work around the clock right now – many of the off-dock facilities do not.

There are many ways that we can optimize the efficiency and carrying capacity of our transportation infrastructure in Canada. Through technology. By working together. By thinking differently.

And I challenge all of my colleagues in the transportation business to do that. Because when it comes to competitiveness, to attracting customers and to enhancing our share of global markets, creating a more efficient transportation system is every bit as important – if not more important – than building infrastructure.

As I said earlier, there's a critical role for governments to play here as well. And I want to encourage the same kind of innovation, responsiveness and entrepreneurial spirit that's redefining our transportation industry to be adopted by the government departments and agencies that regulate our business.

So what is government's role? Of course, there is investment in strategic transportation infrastructure, including roads.

This need is particularly acute at the Port of Vancouver, where traffic congestion is a significant barrier to our operating efficiency today and our capacity growth in the future.

There are also policy issues that affect the competitiveness of Canada's transportation industries, and their ability and willingness to invest.

In the case of our ports system, there are much needed changes to the *Canada Marine Act* to ensure that port authorities have access to the capital they need to invest and grow. We are optimistic that some of these changes may soon be made.

There are other policy matters affecting the competitiveness of Canadian ports, as well as issues related to taxation, land availability and investment in port infrastructure.

Again, I urge all of you in government to understand the critical role that our ports will play in facilitating the country's economic future.

When we in the ports sector ask for your help on matters of public policy, we're not just trying to make our lives easier. We're trying to address the competitiveness issues affecting our business, and to capture the benefits that growth in international trade represents for all Canadians.

We need your help to do that. We need to work together.

There are critical competitiveness and public policy issues facing railways as well.

To enhance the transportation system we need to consider three factors:

- a) inefficiency – every system can be improved and as I said earlier the railways have done a very good job in identifying and removing them.
- b) technology – find the areas where technology can improve capacity and throughput, and implement it.
- c) capitalization - once a) and b) are identified and implemented to their fullest extent, boards of directors are justified in approving expenditures for infrastructure.

But to do this they have to be sure that the regulatory environment supports this investment.

We must create incentives for our rail carriers to invest in their infrastructure, and open access would have exactly the opposite effect.

There's also the issue of fair property taxation for railways. This is another important issue the Vancouver Port Authority has supported at the provincial level.

If we expect our railways to invest in the nation's strategic transportation infrastructure, we have to create a fair and competitive tax system. We have to remember that our transportation industries are economic generators, and create public policy accordingly.

There's another role that our governments must play – and that's leadership and coordination. At both the federal and provincial levels, our governments must work together with industry to ensure that our country moves forward in a coordinated fashion to address the opportunities and challenges before us.

Our common goal is to create a transportation network across this country that is globally competitive. One that can grow its market share in a rapidly expanding global market. And one that can serve the needs of Canadian companies, workers and communities as well as our economy.

Thank you for your attention.