

Captain Gordon Houston speech to:

Calgary Chamber of Commerce – November 30, 2005

Good afternoon. It is always a pleasure to be here in Calgary and speak to the Chamber of Commerce.

Part of my job as President is to be the spokesperson for the Vancouver Port Authority which means giving speeches and participating on panel discussions across Canada and around the world. But few speaking opportunities are more important to our organization than the ones I make to our stakeholders and customers in Alberta. So thank you all for coming.

The Port of Vancouver is Alberta's Port.

Our most recent stats show that 15.7 million tonnes or 24% of the port's total exports came from Alberta;

Alberta accounted for 21% or 595,000 tonnes of the total foreign breakbulk exports, of which the majority were forest products;

Eighty-seven percent or 3.2 million tonnes of the total foreign liquid bulk exports came from this Province. These included major commodities such as petroleum and chemical products.

Of the total foreign dry bulk exports, Alberta accounted for 20% or 9.7 million tonnes. The majority were included coal, grain products, and animal feed and sulphur -- with Alberta accounting for 84% of the Port's total sulphur exports.

Finally, Alberta accounted for 7%) of the total containerized exports of the Port.

These are staggering numbers. They prove – the Port of Vancouver has been and always will be a predominantly bulk port.

For those of you who have been following the national newspapers and TV newscasts, you will know that the Port of Vancouver is undergoing a tremendous period growth and expansion. Much of this is due to the rapidly growing economy of China.

We serve the export market needs of Canadian resource industries – shipping commodities like coal, potash, grain, sulphur, forest products and petrochemicals to offshore customers. Goods that are demanded by China and other parts of Asia.

And as you'll hear over the next 20 minutes, we fully expect to capture a growing share of the rapidly expanding market for global trade in the years ahead.

When people think about China's rapidly expanding role in international trade, they usually think about the wave of Chinese manufactured goods flooding our shores.

But there's reciprocal trade, as well. The truth is China needs Canada's exports – the products of our resource industries – to build and fuel its growing economy. Goods that are produced right here in Alberta.

So the vital role that the Port of Vancouver plays in facilitating the movement of Canadian resource commodities to offshore markets is not diminishing – in fact, it's growing.

Our challenge as a port and as a country is to capture a dominant share of the rapidly expanding trade between North America and Asia, while facilitating the growth of Canada's resource industries.

Obviously, it's an exciting time at the Port of Vancouver and an exciting time for world trade.

We're forecasting growth of 300 per cent in our container volumes over the next 15 years. We're also forecasting a 25 per cent increase in our bulk cargo shipments.

These are unprecedented rates of growth for our port. There is a tremendous amount of work to be done to manage it effectively. And there are competitors who would like nothing more than to take it away from us.

The good news is there is a plan for the Port of Vancouver and other gateway ports in British Columbia to capture this massive increase in international trade.

It's called the Pacific Gateway Strategy, and I believe it is the most important economic development initiative in Canada today. The strategy is designed so that all provinces right across this great nation benefit from the trade coming through the Pacific Gateway.

Leaders in the Provincial government of BC and Alberta have been instrumental in making this happen.

The Pacific Gateway Strategy will ensure we invest wisely in our transportation infrastructure here in British Columbia – and across Canada. Not only at our ports, but in the road and rail networks as well.

The Pacific Gateway Strategy will enhance the throughput and efficiency of our existing transportation assets, and ensure that our shipping, marine terminals, road and rail sectors are fully integrated and working together.

And the Pacific Gateway Strategy will provide a policy blueprint for governments in its efforts to foster a competitive and growing transportation sector in this country.

I'm proud to say that the Vancouver Port Authority has played an important leadership role in the development of the Pacific Gateway Strategy. And we have an equally vital role to play in bringing the strategy to life.

But it cannot be done in isolation.

The success of the Pacific Gateway Strategy will depend on the resolve and the commitment of Canadian governments and Canadian industry.

And when we're successful – as we wholly expect to be – the beneficiaries will be consumers and workers and businesses and communities right across this country.

My focus is to ensure that the VPA supports the Pacific Gateway Strategy and its implementation in a timely way. The VPA intends to be an advocate, a catalyst, and a driver of integrated action right across the Canadian transportation sector.

If we want the Canadian economy to grow...if we want to take advantage of trade opportunities with China ...if we want to exploit our strategic position as a natural gateway between North America and Asia, we have to move quickly, decisively and strategically.

There are few jurisdictions in the world better positioned than we are. But we have to be bullish to achieve a dominant share in today's rapidly growing marketplace. And we have to take advantage of the factors working in our favour.

The fact is the Port of Vancouver is the most competitive gateway between the producer economies of Asia and the consumer economies of North America.

We are the closest major deepwater port to Asia. We have competitive labour costs, excellent rail links to key Canadian and U.S. markets, a better balance between inbound and outbound cargo than any of our competitors, and a reputation for customer service.

For all of these reasons, the Port of Vancouver is poised upon the greatest period of expansion in its history.

It's a period that will see the creation of 50,000 new jobs in transportation industries across the country, and the contribution of an additional \$3 billion to Canada's GDP.

And those are just the direct transportation sector impacts. They don't include the employment, investment and spin-off benefits that Canada's export and import industries will generate.

But let me be clear...we're leaving none of this to chance. We're dedicating our resources and our energies to making sure it happens.

What's really encouraging for me is that our elected leaders understand the opportunity, and fully support us.

Just last month, federal Transportation Minister Jean Lapierre was in Vancouver to announce a \$590 million investment in the Pacific Gateway program.

He went so far as to call it a "down payment" on the federal government's commitment to transportation infrastructure and other requirements necessary to achieve Canada's Asia-Pacific trade goals.

I can't tell you how significant the federal government's attention to this matter is. It is unprecedented and shows recognition of the West is important.

In fact, there are many who believe that the economic power in this country is shifting west.

That our national leaders no longer see the country's economic power base in the manufacturing industries of eastern Canada, but in the resource and trading economies of western Canada.

I can't tell you if this is the case. But I can tell you that we have greater federal support for the expansion of our gateway than ever before. And that is a very good thing – for Canada, for Alberta, for B.C. and for the Port of Vancouver.

And it's due in no small part to B.C. Premier Campbell's leadership that Asia Pacific trade has become a national priority in Canada. There now exists a common vision with the Province and a positive working relationship.

And this is a very important message for our overseas trading partners to hear – that Canada's government leaders are fully committed to do what is required in expanding trade with Asia.

I know it's a message that Chinese President Hu Jintao heard loud and clear when he visited Vancouver this September. During his time in Canada, President Hu said this:

“The Canadian government (has) introduced the important strategy of building a Pacific Gateway, mapping out the plan for developing a trade, investment and transportation hub oriented toward the Pacific Rim region.

“I appreciate this vision, which I believe will give greater impetus to the economic and technological cooperation between Canada and the Asia Pacific.”

Obviously, President Hu's words are encouraging. In fact, his very presence in the West should send a powerful signal to all of us about China's interest in doing business with Canada.

It represented only the third time that a Chinese President has visited our country since Canada established diplomatic relations with China in 1970.

We've also recently received the Governor of Guangdong Province here at the Port of Vancouver, as well as the Chief Executive of Hong Kong.

Senior political leaders, and all of them came here to visit our port and discuss our strategies to meet their growing cargo needs.

Of course, the much reported outcome of President Hu's historic visit was that Canada and China agreed to double trade between the two countries by 2010.

This is a meaningful pronouncement.

Two-way trade between Canada and China is estimated at about \$25 billion today, so Prime Minister Martin and President Hu have committed to increase it to \$50 billion within five years.

But look at it another way. In 2003, Canada's two-way trade with China represented about 3.25 per cent of our total international trade.

If we double it to \$50 billion by 2010, it might represent 5 per cent of our international trade.

But remember – we occupy one of the most enviable positions among the world's trading economies to benefit from the rapid expansion of China.

I think we need to set our sights higher. None of us should be satisfied with 5 per cent of our trade taking place with the world's fastest growing economy.

Are we willing to face the next generation of Canadians in 10 or 15 years and say:

“We had the greatest economic development and trade expansion opportunity in a century, and we didn't take advantage of it. We failed to think big.”

And so together, we have a great deal to do in the months and years ahead to make sure that we in our Western Provinces, and Canada both meet and exceed our goals for expanding trade with China and other Asian nations.

And I want to take the opportunity this afternoon to speak about what I believe are priority actions – for both government and business.

But before I do that, I want to remind you that the Port of Vancouver is far from the only gateway on the West Coast of North America that's planning and investing to capture a growing share of Asia Pacific trade.

The Ports of Seattle and Tacoma are investing hundreds of millions of dollars in new terminal infrastructure.

And the U.S. federal government is investing millions more in new road and rail systems to serve these ports. The same is true of Los Angeles-Long Beach.

All of our competitors see the same growth opportunities we see. They all understand that Asia Pacific cargo will ultimately flow to those gateways that provide the most competitive and reliable service.

So as much as our Chinese customers like the Port of Vancouver and want us to develop the infrastructure and the logistics systems to manage their North American cargo, there are no guarantees.

We have to compete on cost, we have to compete on efficiency and we have to compete on reliability. And we are facing some very determined and well-funded rivals in the United States.

If we cannot compete financially then we must compete on efficiency, reliability and on providing a supply chain that is superior in every way.

If we're going to compete and win as a gateway, as a region and as a country, we must believe in ourselves, and aggressively pursue trading relationships that position Western Canada as the natural bridge between North America and Asia.

I can't tell you how valuable that position will be in the future. We can credibly get there. But we have to think big.

Let me give you an example of what I'm talking about when I say we need to think big.

The Port of Shanghai is one of the Chinese ports that is an important link in our supply chain.

Container traffic at the Port of Shanghai has grown by an average of 27% annually for the past decade. It is now the fourth largest container port in the world, and the largest in the People's Republic of China.

But ten years ago – in 1995 – the Chinese realized that their economic development goals and international trade aspirations were at risk if they couldn't substantially expand port capacity.

Not only were they facing a shortage of available land for port expansion, but many ports – like the Port of Shanghai – are river ports and challenged by shallow water, and they also lacked modern logistics.

Knowing that the construction of a new deepwater port was absolutely critical to realizing their vision for Shanghai, and for facilitating their country's economic growth, here's what they have accomplished.

The Port of Shanghai recently commissioned the 32 km Donghai Bridge. It stretches from the mainland – one hour south of Shanghai – to the Yangshan Islands in the East China Sea.

They built it in three years and at the same time built phase 1 and part of phase 2 and commenced phase 3 of the new Yangshan Deepwater Port.

Which by coincidence begins operations today, the first phase of the Yangshan Deepwater Port will have five berths and 4 million TEUs of capacity.

That's more than all of the container terminal capacity in Canada. And they developed it all – including the six-lane bridge across the East China Sea – in just three years.

As T.V. shopping channels say “but wait there’s more”. We’re just talking about the first phase of development.

In total, the man-made area for container storage at the Yangshan Port will be 18 square kms. There will be more than 50 container berths. Total capital costs will be about \$20 billion.

And when it’s complete, container capacity will be close to 40 million TEUs. That’s more than all of the container ports on the west coast of North America.

It’s truly an amazing spectacle. But what is frightening and should give all of us in Canada pause for thought is the speed with which this was all achieved.

The project was initiated in mid-2002, and I saw it for the first time at the end of May this year. The last piece of the bridge was just being put in place that morning and, at 14:30, we drove across the bridge to the container development.

Phase 1 was ready to be surfaced and Phase 2 was barely commenced.

But wait there’s more: I saw it again about four weeks ago. Phase 1 is now complete with 15 gantry cranes and more than 30 RMG’s. All of their equipment and workers have trained and deployed.

Phase 2 is almost ready for surfacing and Phase 3 has already begun. All in 5 months.

“But wait there’s even more”. They’re also developing a brand new city where nothing exists today to house all the workers who will ultimately make Shanghai the world’s busiest port.

It’s called Luchao Harbour City, and it will serve as an administrative centre for the port – including container distribution and storage facilities, as well as one of the world’s largest logistic parks, finance and other corporate services.

By next year, Luchao Harbour City will house 80,000 people, rising to 300,000 by 2020. It’s being built around a 2.5 km man-made freshwater lake, with three concentric rings of development, interwoven with canals.

It’s an absolutely incredible development, and the Chinese have done it in just three years.

Why am I telling you this? Because these are the people we want to grow with and trade with. These are the people to which Canada’s leaders are hitching our national wagon and these are the people we need to learn from and emulate.

These people think big. And if we truly expect to become China’s key trading link to North America, we better be thinking big as well.

If we're going to achieve our Pacific Gateway Strategy goals over the next 10 – 15 years we have to get serious. While there is definitely a lot of work underway, there is SO much more to do.

One of the first priorities for my organization is to make sure we have enough terminal capacity at the Port of Vancouver to facilitate a tripling of container volumes and a 25 per cent increase in bulk volumes by 2020.

To meet this demand, there are six different terminal infrastructure projects either planned or underway at our port.

In total, we'll add a new terminal or expand an existing one every two years between 2006 and 2020, at a capital cost of about \$1.5 billion.

And it's not just container terminals. Our bulk terminals are investing and growing as well – driven by the surging overseas demand for Canadian export commodities like coal, sulphur and grain.

Just this fall, Neptune Bulk Terminals announced a \$93 million expansion of its potash storage facilities on the north shore of Burrard Inlet, and we are in discussions with three other bulk terminals who are also considering expansion.

Two big projects, of course, are at Roberts Bank in Delta.

The first is an expansion of the existing Deltaport container terminal.

The second is the development of an all-new container facility called Terminal 2. It will add about 2 million TEUs of container capacity to our port – or about 40% of the 5 million TEU capacity we need to develop by 2020.

Although we're working to advance all of these projects, they are not a done deal. There are environmental processes to be undertaken, environmental and community issues to be addressed and capital to be raised.

And ultimately, there is a finite amount of land available to expand the Port of Vancouver.

We have to work wisely and judiciously to expand our capacity in a timely way, and in a manner that meets the expectations of our stakeholders and surrounding communities.

It's true that securing permits for the Deltaport expansion has taken considerably longer than we had hoped. We're optimistic, however, that we'll get the green light next year.

We will then turn our attention to Terminal 2, which must be permitted and built by 2012 if we are to meet the growing demands of our Asian customers.

Of course, we know these projects must be comprehensively reviewed and approved under federal and provincial environmental assessment legislation, and that any social or environmental impacts must be adequately addressed. We would expect nothing less.

But if we expect to achieve our Pacific Gateway goals, these environmental assessment and other review processes cannot drag out for years and years.

When it comes to port and other major project developments critical to Canada's economic future, government agencies must "think big" and commit the resources necessary to provide full and comprehensive project reviews in a timely manner.

I believe our ability to compete and to capture a growing share of international trade is dependent on developing more effective and streamlined processes for major project reviews in Canada.

Of course, it's not just port infrastructure that we'll need to expand to handle bulk, breakbulk and container traffic increases by 2020.

We need significant investment in our road and rail system as well, such as CPR has done recently – as CN is doing in their system and taking stock.

There's just no sense building new terminals if we don't have the road and rail links to move Canadian exports quickly and efficiently to our gateway, or import cargo quickly and efficiently inland to its final destination.

To accommodate the kind of growth we expect and avoid congestion in Lower Mainland communities, we simply must expand or alter our road and rail network.

By some accounts, British Columbia requires public and private sector investments in road and rail infrastructure of about \$4 billion over the next 10 – 15 years. Others believe it's more like \$6 or \$7 billion.

Thankfully, these investments have already begun – but we have a long, long way to go.

The conviction that our current political leaders have in the Pacific Gateway will have to be shared by future leaders if this infrastructure challenge is going to be met.

And, of course, it's not just the needs of industry that must be met through transportation infrastructure development. It's the needs of our citizens and communities as well.

In addition to infrastructure development, I believe that Canada's entire transportation industry – the supply chain – is going to have to work more effectively together in the future if we are to achieve our Pacific Gateway goals.

Our customers are looking for end-to-end solutions. They want to know their cargo is moving quickly, efficiently and reliably from origin to destination.

They want to know that every step in the chain – from shipping lines to terminal operations to railways and trucks – is integrated and optimized.

We have some significant work to do in this area. And the Vancouver Port Authority is committed to providing leadership across the transportation network to ensure that work gets done.

We believe that the entire supply chain in Canada must become more throughput focused. That is, we must find new and innovative ways to enhance the throughput – or in current terminology – the velocity of our existing system.

We have already seen our railways achieve gains through co-production agreements and other efficiency programs and our terminal operators and trucking partners are also working hard to enhance productivity.

For example, we're extending the hours of our terminal gates, and working toward the goal of 24/7 truck operations at our port and made an announcement last Friday. We're implementing a mandatory reservation system to speed up truck turn-around times.

We're also looking at near-dock facilities to relieve our marine terminals from serving as container warehouses, while enhancing efficiencies for rail and truck operators.

And we're constantly adopting new technologies.

My goal is to establish a framework to ensure performance accountability right across the transportation system that supports the Port of Vancouver.

That means standards of performance for every partner in the logistics chain. It means creating financial incentives for reliable and competitive service. It means monitoring performance. And it means addressing problems in a timely way, and seeking continuous improvement.

Lofty ambitions. But that's where the Vancouver Port Authority is headed.

We intend to be a catalyst, a leader and a driver of integrated action across the transportation system. We believe, with others, we are obligated to bring the Pacific Gateway to life, and that's precisely what we're doing.

We are reaching out to all of our partners in the Canadian transportation system – to private industry, governments, labour, shippers and even communities – to change the way we manage the logistic chain in this country.

If we don't, we won't be a reliable and competitive gateway for Asia Pacific trade. And we won't achieve the growth targets we have set for ourselves.

And while I'm on the issue of reliability, I must mention the issue of work stoppages, recently the truckers' strike disrupted container movements at our port for 47 days last summer.

We believe that this Gateway's reputation must not be diminished by work disruptions in the future. We will not achieve our growth objectives if we can't solve this problem to the satisfaction of our overseas and domestic customers.

Ultimately, it is our job as leaders to ensure that work disruptions do not slow the movement of goods through this port.

I think the solutions are out there. It's up to all of us to find them - to build the sense of unity necessary within the Canadian transportation system to implement them – and to communicate our commitment to the world.

That's what we've begun to do with the trucking sector. And that's what we'll continue to do as we move forward.

Obviously, the trucking dispute was a dark cloud on an otherwise bright horizon for the Port of Vancouver. But every cloud has a silver lining, and this one was no exception.

I think it woke a lot of people up to just how important the Pacific Gateway and the reliable flow of cargo is to our economy and our way of life.

And not just in British Columbia. The reverberations of the truck strike were felt right across the country.

The important thing is that we find a long-term solution to the problem, and that we provide credible evidence to our customers that international cargo will not be held hostage to domestic disputes in the future.

It's also important that our trucking sector becomes a wholly integrated part of the supply chain, and that they work as equal partners with terminals, railways and other transportation sectors to optimize throughput and efficiency.

There are government policy matters that must be resolved, as well, to ensure that we can grow and compete in the future.

I don't want to spend too much time on policy today, but I do want to hit the highlights of our government advocacy agenda in support of the Pacific Gateway.

Many of you will know that we've been seeking changes to the federal legislation that governs port authorities for many years now. Those amendments to the Canada Marine Act haven't yet been passed by Parliament, but we're getting close.

For the record:

- We're asking Ottawa to allow us to apply for infrastructure grants like any other public or private entity in the country.
- We're asking Ottawa to allow us to retain all of our operating revenues here in Vancouver for strategic reinvestments in our port.

- And we're asking Ottawa to streamline and simplify the process for buying and selling port land. Our ability to handle tomorrow's cargo volumes will require us to operate differently than we do today. We cannot be reactive to the market if it takes 5 years to purchase and use land as is the case today.

As I've said, both the federal and provincial governments are highly supportive of the Pacific Gateway.

But there's more action required to make it a reality. And the VPA continues to work to make sure those actions are taken.

Of course, we also work with the communities that host Port of Vancouver operations. You have to remember that we operate our port in the midst of Western Canada's largest urban centre.

It is our obligation to both operate and grow our business in a way that meets public expectations for environmental and social performance.

This is another issue that requires collaboration between government and the private sector. We're pleased with the social license we've earned to date, but it's an area that requires constant care and attention.

So there are many issues to address and many challenges to overcome. And it's not just the Vancouver Port Authority who must do this work.

It's all of us – transportation interests, shippers, labour, governments and communities. We all have a role to play.

And I want to finish up today by reiterating what I said earlier: We have to think big!

We can tell ourselves that these problems are too hard...that we have too much to lose...that we should move slowly and carefully.

I think that's a recipe for failure. I think the opportunities that Asia Pacific trade represents for Western Canada and the entire country are so profound that we must move aggressively, decisively and immediately.

We have an opportunity to do something for this country that will define our position in the global economy for generations to come, if we all think BIG.

Thank you for your attention.