

CANADA MARITIME CONFERENCE 2007

SPEAKING NOTES

“CANADA’S FACE IN ASIA”

I WOULD LIKE TO THANK THE VANCOUVER PORT AUTHORITY, CANADIAN SAILING MAGAZINE AND THE JOURNAL OF COMMERCE FOR HAVING INVITED ME TO SPEAK TO YOU TODAY. MY FONDEST HOPE IS THAT, FOLLOWING MY REMARKS, YOU TOO WILL WANT TO THANK THE VANCOUVER PORT AUTHORITY AND THE JOURNAL OF COMMERCE FOR HAVING INVITED ME TO SPEAK TO YOU ON THIS OCCASION.

AS EVERYONE KNOWS, I AM NOT AN AUTHORITY ON MARITIME ISSUES, NOR I AM SPEAKING ON BEHALF OF TRANSPORT CANADA. I AM REALLY HERE TO PROVIDE MY PERSONAL VIEWS ON KEY DEVELOPMENTS TO WATCH FOR IN THE EAST ASIAN REGION, AND TO REPORT TO YOU SOME OF THE COMMENTS

THAT I HEAR FROM THE BUSINESS COMMUNITIES ON THE WESTERN SIDE OF THE PACIFIC REGARDING THE PLACE OF CANADA IN TRANS-PACIFIC BUSINESS AND TRADE, AND SPECIFICALLY ABOUT OUR PORTS AND TRANSPORTATION FACILITIES AND ASSETS. I ALSO WANT TO PROVIDE A FEW IDEAS ON HOW TO OPTIMIZE CANADA'S STANDING AND OUR IMAGE SO THAT YOU CAN OPTIMIZE YOUR BUSINESS OPPORTUNITIES.

I ONLY HAVE ABOUT 20 MINUTES SO OBVIOUSLY, I WILL BE MAKING SOME RATHER SWEEPING GENERALIZATIONS ABOUT THE EAST ASIA REGION, WHICH HAS FORTY TIMES OUR POPULATION AND SEVEN TIMES OUR GDP. STILL, THERE ARE FORWARD LOOKING TRENDS, ABOUT WHICH YOU CAN MAKE EDUCATED GUESSES, AND SPECULATING ABOUT THESE IS ONE OF THE THINGS THAT I WOULD LIKE TO DO TODAY.

LET ME START HOWEVER BY TELLING YOU WHAT I THINK THE BUSINESS THAT I AM IN IS ALL ABOUT. IT IS NOT REALLY ABOUT JAPAN OR CHINA OR ASIA. IT IS FIRSTLY AND LASTLY ABOUT CANADA AND ITS ABOUT CANADIANS. NOT TO PUT TOO FINE A POINT ON IT, ITS ABOUT YOU AND YOUR COMPANIES AND YOUR

INTERESTS BEYOND OUR NATIONAL BORDERS. IN AN OVERALL SENSE, FOREIGN MINISTRIES AND EMBASSIES ARE TASKED BY OUR POLITICAL LEADERS TO ACHIEVE OUR STATED NATIONAL OBJECTIVES, BUT ON THE GROUND THESE LARGELY TRANSLATE INTO CORPORATE, INSTITUTIONAL AND EVEN PERSONAL OBJECTIVES. PRIME MINISTER HARPER, FOREIGN AFFAIRS MINISTER BERNIER, AND INTERNATIONAL TRADE MINISTER EMERSON WHO SPOKE TO US THIS MORNING SET BROAD FOREIGN POLICY OBJECTIVES THAT ALIGN WITH THE GOVERNMENT'S NATIONAL PRIORITIES, REFLECTING THE INTERESTS AND NEEDS OF CANADIANS. THIS IS WHAT YOU READ ABOUT IN THE NEWSPAPERS.

IN THE FIELD, WHICH IS LARGELY WHERE I OPERATE, MY BUSINESS AND THAT OF MY COLLEAGUES IS TO IMPLEMENT THESE POLICIES AND USE THE RESOURCES TO UNDERSTAND WHAT IS HAPPENING OUT THERE, AND IN RESPONSE TO THOSE REALITIES, TO HELP YOU TO THE EXTENT THAT WE CAN TO OPTIMIZE YOUR BUSINESS OPPORTUNITIES. IN JAPAN, YOUR TAXES ARE ALREADY PAYING FOR FORTY PEOPLE WHO ARE WORKING EXCLUSIVELY IN THE BUSINESS AND INVESTMENT

DEVELOPMENT SECTIONS OF THE EMBASSY AND OUR REGIONAL OFFICES. IN CHINA, WE HAVE TWICE THAT, WE HAVE ABOUT EIGHTY PEOPLE IN THE COMMERCIAL SECTIONS AROUND THE COUNTRY. DITTO IN KOREA, IN TAIWAN, IN INDIA AND IN THE REST OF ASIA. YOU HAVE ALREADY PAID FOR THE ASSISTANCE THAT WE PROVIDE. I ENCOURAGE YOU TO USE IT.

WHAT I WANT TO DO TODAY, UNDER THE BROAD TITLE OF “SAVING FACE IN ASIA” WHICH I WOULD PREFER TO RE-BRAND AS “CANADA’S FACE IN ASIA” IS TO SAY A FEW WORDS ABOUT THE SHORT AND LONGER TERM ECONOMIC PROSPECTS OF THE REGION, REPORT TO YOU ON HOW SOME OF THE PEOPLE IN THE TRANSPORTATION INDUSTRY ASSESS OUR PERFORMANCE AS TRANS-PACIFIC PARTNERS AND THEN PROVIDE SOME IDEAS ON THE HOW TO MAXIMIZE OUR ADVANTAGES. I HOPE THAT YOU WILL FIND THESE REFLECTIONS OF USE.

REGIONAL AND NATIONAL TRENDS

EVERYONE IN THIS ROOM HAS BEEN WATCHING THE GYRATIONS ON THE WORLD’S FINANCIAL MARKETS SINCE

EARLY AUGUST, AND TRYING TO DETERMINE WHAT IT MEANS FOR YOUR SHORT AND LONGER TERM BUSINESS PROSPECTS. ITS BEEN AN INTERESTING RIDE. EVEN WITH LIMITED EXPOSURE IN THE US SUB-PRIME AND MORTGAGE BUSINESSES, MANY – BUT NOT ALL – STOCK MARKETS IN EAST ASIA HAVE EXPERIENCED SIGNIFICANT MOVEMENTS – IN AUGUST, THE TOKYO STOCK EXCHANGE EXPERIENCED ITS SHARPEST DECLINE IN 7 YEARS, THE KOREAN HANG SENG DROPPED OVER THREE PERCENT, AND HONG KONG BY JUST A BIT LESS. EXCHANGE RATE MOVEMENTS - BY AS MUCH AS TEN PERCENT FOR THE YEN - HAVE AFFECTED THE RETURNS OF MANY INDIVIDUAL EQUITY AND BOND INVESTORS OPERATING IN FOREIGN MARKETS – THE SO-CALLED CARRY TRADE – AT ONE END OF THE MARKET, AS WELL AS CONSUMER GOODS MANUFACTURERS, CONCERNED ABOUT THEIR COMPETITIVENESS IN EXPORT MARKETS AT THE OTHER. NO MAJOR ECONOMY HAS BEEN SPARED COMPLETELY THE EFFECTS OF LOSS OF CONFIDENCE IN AMERICAN MORTGAGE BACKED ASSETS.

THAT SAID, FROM JAPAN TO JAKARTA, FINANCING FOR BUSINESS IS OVERWHELMINGLY THROUGH BANK LOANS, NOT BONDS OR SHORT TERM COMMERCIAL PAPER. SO ASIAN COMPANIES WERE NOT HEAVILY EXPOSED TO THE CREDIT CRUNCH THAT HIT NORTH AMERICA AND EUROPE. ASIAN BANKS HAVE LARGELY NEGLIGIBLE EXPOSURE TO THE US SUB-PRIME MARKETS, AND THUS FOR MOST FINANCIAL INSTITUTIONS, IT HAS BEEN BUSINESS AS USUAL. CORPORATE BALANCE SHEETS ARE GENERALLY STRONG IN ASIA THESE DAYS, AND CONSUMPTION IS RISING IN MOST ECONOMIES, EXCEPT NOTABLY IN JAPAN. THERE ARE AND WILL BE CONTINUING ADJUSTMENT IN EVERYTHING FROM CAPITAL INVESTMENT TO CONSUMER SPENDING BUT AT THE LEVEL OF FUNDAMENTALS, THE BEST OPINION THAT I HEAR AND COME ACROSS SUGGESTS THAT THE LONGER TERM IN EAST ASIA – IN CHINA, JAPAN, ROK, SOUTHEAST ASIA, AND FURTHER WEST, IN INDIA – REMAINS VERY PROMISING INDEED.

IN CHINA, THERE STILL REMAIN SUBSTANTIALLY UNUSED FACTORS OF PRODUCTION, THERE IS WIDESPREAD AND DYNAMIC ENTREPRENEURIAL-SHIP AND THERE ARE GROWTH

POLICIES AT REGIONAL AND NATIONAL LEVELS THAT PROVIDE THE KIND OF FORWARD MOMENTUM ON WHICH I BELIEVE WE CAN BUILD OUR PLANNING FOR THE FUTURE. DON'T FORGET, THIS IS NOW A TWO AND A HALF TRILLION DOLLAR ECONOMY THAT WILL BE ADDING ANOTHER ONE TO TWO HUNDRED BILLION DOLLARS IN PRODUCTION JUST IN 2007. YES, CHINA FACES HUGE PROBLEMS, MOST RECENTLY HIGHLIGHTED WITH RESPECT TO THE QUALITY OF THEIR PRODUCTS, BUT I AM NO LESS CONVINCED NOW THAN I WAS IN THE FIRST HALF OF THE DECADE WHEN I LIVED IN CHINA THAT THE GROWTH THRUST IS FAR FROM EXHAUSTING ITSELF. CHINA'S LEAD ROLE AS THE WORLD'S MANUFACTURER OF MASS PRODUCED GOODS IS SECURE FOR A NUMBER OF YEARS TO COME.

JAPAN, FOR ITS PART, IS STILL THE SECOND ECONOMY IN THE WORLD. IT HAS BEEN IN MACRO-ECONOMIC GROWTH MODE FOR FIVE AND A HALF YEARS. JAPANESE FIRMS ARE LEADING THE REGION AND IN MANY RESPECTS THE WORLD IN ENVIRONMENTAL TECHNOLOGIES, HYBRID AUTOMOBILES, ICT, ADVANCED HOME APPLIANCES, BIOTECHNOLOGY, ADVANCED MATERIALS, AND THE EFFICIENT MANUFACTURING

TECHNOLOGIES THAT ARE DRIVING A LOT OF INDUSTRY IN THE REGION. THIS SPEAKS TO JAPAN'S FUNDAMENTAL MACRO STRENGTHS, AS WELL AS SUPPLY CHAIN LEADERSHIP. A MATURE ECONOMY SUCH AS THAT OF JAPAN MAY NOT EXPERIENCE LARGE VARIATIONS IN ITS OWN EXPORTS BUT IT DOES GENERATE LARGE INCREASES IN EXPORTS IN THE MORE COMPETITIVE MASS PRODUCT MANUFACTURING CENTERS, STARTING WITH BUT NOT LIMITED TO CHINA. ITS SHIPPING COMPANIES ALSO TRANSPORT THIRTY PERCENT OF THE REGION'S CONTAINERS, EVEN IF THEY ONLY GENERATE SEVEN PERCENT OF THE CONTAINERIZED EXPORTS. THOSE REALITIES ARE NOT ABOUT TO CHANGE.

KOREA, WITH ITS OWN ECONOMY JUST SHORT OF ONE TRILLION DOLLAR ECONOMY, THE THIRTEENTH IN THE WORLD, CAN INCREASINGLY MAKE THE CLAIM THAT ITS GEOGRAPHY AND INVESTMENTS DOMESTICALLY AND IN CHINA AND ITS INFRASTRUCTURE MAKE IT A KEY HUB OF THE NORTHEAST ASIAN ECONOMIC NEXUS OF MANUFACTURING, LOGISTICS AND SUPPLY CHAINS. SOUTHEAST ASIA, ALSO AT ONE TRILLION DOLLARS, IS GROWING AT SEVEN AND A HALF PERCENT A YEAR,

AND PLAYS A PIVOTAL ROLE IN THE REGIONAL SUPPLY CHAINS
THAT FEED NORTH AMERICA AND EUROPE.

BASICALLY, WHAT WE HAVE ACROSS THE PACIFIC IS A GROUP OF
EAST ASIAN ECONOMIES WHICH ARE DETERMINED TO BECOME
WEALTHY CONSUMER SOCIETIES, OPEN TO AND FULLY
ENGAGED IN TECHNOLOGICAL INNOVATION AND THE
INTERNATIONAL DIVISION OF LABOR, WHERE NATIONAL
INTERESTS ARE DEFINED AS ECONOMIC GROWTH AND
DEVELOPMENT, ACCESS TO MARKETS, CAPITAL AND
RESOURCES, WITH INCREASING ATTENTION TO SUCH SHARED
GOALS AS A LIVABLE ENVIRONMENT AND FURTHER GLOBAL
AND REGIONAL INTEGRATION. THESE COUNTRIES HAVE, BY
AND LARGE, EFFECTIVE POLICY INSTRUMENTS THAT SUPPORT
THESE BROAD OBJECTIVES.

HAVING SAID ALL OF THAT, AND LOOKING FROM THE
PERSPECTIVE OF THE MARITIME INDUSTRY, I REALIZE THAT
THIS IS ONLY HALF OF THE PICTURE.

THE OTHER HALF IS IN THE EUROPEAN UNION AND ON THIS CONTINENT, IN THE UNITED STATES AND TO A LESSER EXTENT, IN CANADA, AND THE ABILITY OF THESE ECONOMIES TO CONTINUE TO CONSUME AT CURRENT LEVELS. AS A PUBLIC SERVANT SPEAKING IN A PUBLIC VENUE, I AM NOT ABOUT TO SPECULATE ABOUT THE FUTURE PROSPECTS OF EUROZONE OR THE US ECONOMY. I WILL LEAVE THAT TO YOU AND TO OTHERS. BUT EVENTS IN THE LAST FEW WEEKS SUGGEST THAT US PUBLIC POLICIES AND FINANCIAL AND EQUITY MARKETS ARE ADJUSTING TO THE PROBLEMS IN WHAT REMAINS A RELATIVELY SMALL CORNER OF THE US FINANCIAL STRUCTURE. PAUL KRUGMAN SAID TWO WEEKS AGO THAT THE US HOUSING SLUMP WILL LAST WELL BEYOND THIS YEAR, BUT A SIGNIFICANT DOWNTURN IS NOT PART OF THE BROAD PICTURE FOR MOST ECONOMISTS.

GLOBALLY, IT'S THE SAME STORY. THE IMF AND THE WORLD BANK BOTH CONTINUE TO PROJECT ROBUST GROWTH IN 2007 AND 2008, DESPITE RECENT FINANCIAL MARKET VOLATILITY, THANKS TO EUROZONE ECONOMIC PERFORMANCE, AND TO

CHINA AND JAPAN AND INDIA AND AMERICA'S REMARKABLE
CAPACITY TO ADJUST.

BEYOND MACRO AND MICRO ECONOMIC FACTORS, THERE ARE
OTHER ISSUES TO WATCH CLOSELY. THESE INCLUDE THE
POTENTIAL IMPACT OF FREE TRADE AGREEMENTS IN
INCREASING REGIONAL INVESTMENT AND TRADE, WITH THEIR
EXPANSIONARY POTENTIAL. BELIEVE IT OR NOT, THERE ARE
CURRENTLY SOMETHING IN THE ORDER OF FORTY FIVE FREE
TRADE AGREEMENTS AND ECONOMIC COOPERATION
AGREEMENTS IN EFFECT OR IN NEGOTIATION WITHIN ASIA, AND
ANOTHER 35 LINKING ASIA WITH COUNTRIES IN OTHER PARTS
OF THE WORLD. THERE IS ALSO THE SIGNIFICANT IMPACT ON
TRADE OF HIGH LEVELS OF FOREIGN DIRECT INVESTMENT AND
THE CONCOMITANT IMPACT ON THE DEVELOPMENT OF
ADDITIONAL SUPPLY CHAINS. CHINA HAS RECEIVED FIFTY
BILLION AND ABOVE IN FDI, EVERY YEAR THIS DECADE. INDIA
IS REACHING RESPECTABLE FDI FLOWS OF EIGHTEEN TO
TWENTY BILLION A YEAR. VIETNAM TOO IS A GROWING
MANUFACTURER FOR WORLD MARKETS.

ALL OF THESE TRENDS WILL NOT ONLY SHAPE THE FUTURE:
THEY ARE DEFINING THE DAY TO DAY REALITY WHICH THIS
INDUSTRY MUST FACE.

LET'S ZOOM WAY DOWN TO THE KIND OF FUTURE SHAPING
ACTIVITIES THAT ARE TAKING PLACE FOR EXAMPLE IN PORT
FACILITIES AND THE CONTAINER BUSINESS, AS AN INDICATOR
OF LONG TERM EXPECTATIONS AND CONFIDENCE. MANY OF
YOU HAVE VISITED YANGSHAN TERMINALS, NOW INTO MATURE
OPERATION AFTER OPENING JUST ABOUT A YEAR AGO, AND
CEMENTING SHANGHAI'S GLOBAL LEAD IN TERMINAL
FACILITIES AND THROUGH-PUT. NEW BUSAN PORT WHICH WILL
OPEN IN 2011 WILL ALLOW SIMULTANEOUS BERTHING OF 30
VESSELS AND A THROUGH-PUT OF 8 MILLION TEUs. IN VIETNAM,
HOCHIMIN CITY HAS LARGELY MAXED OUT ITS CONTAINER
FACILITIES AT 2.5 MILLION TEUs AND WILL ADD AN
ADDITIONAL 1.3 MILLION IN NEW DEEPWATER FACILITIES AT
CAI MEP IN VUNG TAO PROVINCE BY 2011. INCREASING THE
MAXIMUM DRAFT OF THE SUEZ CANAL BY 2010 AND THE
OPENING OF THE THIRD SET OF LOCKS IN PANAMA BY THE
MIDDLE OF THE NEXT DECADE ARE PREMISED ON AND

CONTRIBUTE TO CONTINUING GLOBAL TRADE, WHICH
AVERAGED EIGHT PERCENT OVER THE LAST 10 YEARS.

IF WORLD CONTAINER TRAFFIC CONTINUES TO GROW BY A
FACTOR OF TWO TO THREE TIMES GLOBAL GDP GROWTH,
PROJECTED AT FOUR TO FIVE PERCENT, AND THIRTY PERCENT
MORE THAN OVERALL TRADE GROWTH, NOT TO SPEAK OF AIR
CARGO WHICH IS ALSO INCREASING BY TWO TO THREE TIMES
GLOBAL GDP RATES, THIS MEANS THAT THE INDUSTRY'S
PROJECTIONS ABOUT THE MEDIUM TERM FUTURE OF SHIPPING
WITH ASIA ACROSS THE PACIFIC AND TOWARDS EUROPE DO
NOT APPEAR IN NEED OF A MAJOR REASSESSMENT. IN ASIA AND
HERE ON THE WEST COAST, OVERALL MERCHANT FLEET
CARRYING CAPACITY, EAST BOUND TRAFFIC AND WEST BOUND
DECADE LONG RISE, EVEN WHEN IN TOKYO AND SHANGHAI
AND HONG KONG AND TAIWAN AND VANCOUVER, THERE ARE
NECESSARY AND PRACTICAL DEBATES ABOUT THE SIZE OF THIS
EXPANSION. SHIPPING TWENTY FIVE MILLION TEUs MAY HAVE
APPEARED FANTASTIC A DOZEN YEARS AGO, BUT TODAY THAT
IS THE PROJECTION FOR SHANGHAI ALONE IN 2010. THE
CHALLENGE SEEN FROM ASIA IS NOT WHETHER TRAFFIC WILL

BE SUSTAINED: RATHER, IT IS TO ENSURE THAT THE WEST AND EAST COAST FACILITIES IN NORTH AMERICA CAN MANAGE THE GROWTH.

CANADA'S PLACE

SO, FROM THE PERSPECTIVE OF THE SHIPPING AND TRANSPORTATION INDUSTRIES ACROSS THE PACIFIC, WHERE DO WE FIT IN THIS EAST ASIAN WORLD?

AT A MACRO LEVEL, WE HAVE A RESPECTABLE ONE AND A QUARTER TRILLION DOLLAR ECONOMY, THE 8TH IN THE WORLD, WITH STRONG PROSPECTS FOR THE FUTURE, THANKS TO OUR WEALTH IN RESOURCES AND ENERGY, AN INNOVATIVE MANUFACTURING SECTOR, OUR NORTH AMERICAN FREE TRADE AGREEMENT, OUR OPEN ECONOMY AND OUR RELIABLE LEGAL AND REGULATORY SYSTEMS. WE HAVE A HIGH TRADE

DEPENDENCE – SEVENTY EIGHT PERCENT OF GDP, THREE TIME
THE USA – AND GLOBAL ACCESS POINTS THROUGH VANCOUVER
AND PRINCE RUPERT ON THE PACIFIC, AND HALIFAX AND
MONTRÉAL IN THE EAST, WITH CAPACITY FOR FURTHER
EXPANSION. VANCOUVER AIRPORT IS THE THIRD LARGEST
RECEIVER OF PASSENGERS FROM ASIA, AND TORONTO THE
SEVENTH.

THIS IS THE CANADIAN REALITY, BUT THIS IS ONLY PART OF THE
PICTURE. ACROSS THE PACIFIC, WHAT THEY SEE IS CANADA IN
NORTH AMERICA, LESS OUR TRILLION DOLLAR ECONOMY AND
THIRTY THREE MILLION PEOPLE, MORE A FOURTEEN TRILLION
DOLLAR NAFTA ECONOMY AND ALMOST FOUR HUNDRED AND
FIFTY MILLION MEXICANS. NAFTA HAS NOT ONLY CHANGED
THE STRUCTURE OF NORTH AMERICAN ECONOMIES, IT HAS
TRANSFORMED CANADA’S IMAGE IN OVERSEAS MARKETS,
CERTAINLY IN THE TRANSPORTATION SECTOR.

IT IS AS A PART OF NORTH AMERICA THAT, IN ASIA, THEY
ANALYZE OUR ABILITIES TO MEET THEIR NEEDS. CANADA IS A
WONDERFUL COUNTRY BUT IT IS IN THE BROADER NORTH

AMERICAN CONTEXT THAT WE ARE ASSESSED AND THAT BUSINESS JUDGMENTS ARE MADE. BUSINESSES IN ASIA LOOK AT OUR PORTS AND RAIL FACILITIES AND THE COMPANIES THAT RUN THEM AND THEY MAKE THEIR BUSINESS DECISIONS BASED ON OUR PERFORMANCE AND ON COST COMPARISONS WITH OUR NEIGHBORS TO THE SOUTH. YOU KNOW ALL OF THIS OF COURSE, BUT IT IS USEFUL TO BE REMINDED OF IT.

WHAT ARE THEY SAYING ABOUT US?

SO WHAT ARE THEY SAYING ABOUT OUR PORTS AND FACILITIES? I INTERVIEWED PEOPLE IN AND OUT OF JAPAN TO COLLECT OPINIONS, AND MUCH OF WHAT I WAS TOLD IS POSITIVE AND MUCH AS WELL TELLS US WHERE WE HAVE TO GO TO REMAIN COMPETITIVE.

THE POSITIVES

THE SUBSTANTIAL AND WELL-FUNDED COMMITMENTS BY BOTH PUBLIC AND PRIVATE CANADIAN SECTORS TO MEETING ANTICIPATED INCREASES IN CAPACITY HAS ATTRACTED A

GREAT DEAL OF ATTENTION ACROSS THE WAY. THE \$2.1 BILLION GATEWAYS AND BORDER CROSSING FUND, THE \$1.4 BILLION VPA EXPANSION PROJECTS IN THE LOWER MAINLAND, THE VANCOUVER AIRPORT MODERNIZATION PROJECT, THE OFFICIAL OPENING A TWO DAYS OF THE FAIRVIEW CONTAINER TERMINAL AT PRINCE RUPERT WITH AN INITIAL CAPACITY TO REACH HALF A MILLION REEFERS IN THE NEXT YEAR, AND THE VERY IMPORTANT INVESTMENTS IN CAPACITY EXPANSION BY OUR RAIL AND TERMINAL COMPANIES ARE ALL SEEN AS SIGNIFICANT EFFORTS ON THE PART OF THE CANADIAN AND PROVINCIAL GOVERNMENTS AND OUR KEY BUSINESSES TO BUILD FOR THE FUTURE. GIVEN WHAT THE SUPPLY SIDE IS DOING ON THE OTHER SIDE OF THE PACIFIC, AND THE COMPETITION FROM NEW PROJECTS ON THE WEST COAST OF THE UNITED STATES, EXPANSION AND MODERNIZATION OF OUR OWN FACILITIES AND CAPACITY ARE ESSENTIAL IN ORDER TO STAY IN THE GAME. PRINCE RUPERT'S ABILITY TO ACCOMMODATE 10,000 REEFER SUPER PANAMAX SHIPS IS ALSO SEEN AS A TREMENDOUS ADVANTAGE FOR OUR WEST COAST.

SECONDLY, SO IS ADJUSTING HOW WE DO THINGS. THE INTEGRATION OF PORT FACILITIES ON THE LOWER MAINLAND IS SEEN AS CONSISTENT WITH THE OVERALL LONG TERM TREND IN BUSINESS INTEGRATION, IN MOVING FROM SHIPPING SERVICES TO LOGISTICS SERVICES AND, IN FACILITATING THE FUNCTIONING OF SUPPLY CHAINS.

A THIRD SIGNIFICANT STRENGTH IS CANADA'S EXPORT PROFILE, OUR SUBSTANTIAL RESOURCE AND MANUFACTURED GOODS EXPORTS WHICH PROVIDE THE KIND OF SHIPPING AND BACKHAUL OPPORTUNITIES THAT DO NOT EXIST TO THE SAME EXTENT, IN PROPORTIONAL TERMS, IN THE UNITED STATES. IN ADDITION TO SIGNIFICANT BULK SHIPMENTS OUT OF VANCOUVER AND PRINCE RUPERT, WEST BOUND REEFER TRAFFIC FILLS FROM SIXTY TO SEVENTY PERCENT OF INBOUND CONTAINERS, A SIGNIFICANTLY HIGHER PERCENTAGE THAN OUT OF THE NORTHWEST OR SOUTHWEST PORTS OF THE UNITED STATES.

FOR PURPOSES OF TODAY'S PRESENTATION, MY COLLEAGUES AND I IN TOKYO LOOKED AT THE FUTURE PROSPECTS FOR

WEST BOUND SHIPPING TO JAPAN. WHAT WE FOUND AUGURS WELL FOR THE FUTURE. BULK SHIPMENTS OF POTASH, COAL, COPPER AND OTHER METALS AND MINERALS WILL EITHER BE ON AN EXPANSIONARY TREND LINE OR HOLDING STEADY. SIMILARLY, SOYBEAN, WHEAT, BEEF AND BARLEY EXPORTS FROM CANADA TO JAPAN ARE ALL EXPECTED TO CONTINUE TO RISE, WITH PORK AND CANOLA MAINTAINING THEIR CURRENT LEVELS. SO WE ARE OPTIMISTIC ABOUT THE PROSPECTS FOR SHIPMENTS WEST ACROSS THE PACIFIC.

A FOURTH STRENGTH IS THE COMBINATION OF PROGRAMS AND COMMITMENTS BY OUR RAIL COMPANIES TO OPTIMIZE THEIR FACILITIES AND OPERATIONS SO THAT PORT CLEARANCE CAN BE DONE SMOOTHLY AND EFFICIENTLY. THE POSITIVE EFFECT OF THE CN/CP CO-PRODUCTION AGREEMENTS IS RECOGNIZED IN ASIA, AND THEY HAVE HAD A LARGE IMPACT ON HOW WE ARE VIEWED. OTHER IMPROVEMENTS, SUCH AS DIRECT SHIP TO RAIL, DOUBLE STACKING OF TRAINS AND SO FORTH ALSO IMPACT ON THE BOTTOM LINE OF YOUR CUSTOMERS, AND THEY TELL US THAT THEY MAKE A DIFFERENCE.

FINALLY, THE MANAGEMENT OF SHIPPING AND PORT DOCUMENTATION, CARGO MANIFESTS, BILLS OF LADING, RELEASE NOTIFICATIONS AND SO FORTH, AND CROSS BORDER PROCEDURES INCLUDING RELATIONS BETWEEN THE CANADA BORDER SERVICES AGENCY AND US CUSTOMS AND BORDER PROTECTION ARE ALL SEEN AS RELATIVELY EFFICIENT, DESPITE THE ADDITIONAL DEMANDS IMPOSED BY, FOR EXAMPLE, SECURITY CONSIDERATIONS.

THE CHALLENGES

ON THE OTHER SIDE OF THE LEDGER ARE THE CHALLENGES THAT WE WILL CONTINUE TO FACE, IN COMPETITION WITH OTHER PORTS ON THE WEST COAST.

SOME ARE BEYOND OUR DAY TO DAY CONTROL: EXCHANGE RATES AND OTHER VARIABLES IN THE TERMS OF TRADE, PRICE OF BUNKER FUEL, THE SIZE OF OUR LOCAL MARKETS, COMPARED WITH THOSE IN THE USA ARE A FEW EXAMPLES. IT IS THESE AND OTHER UNCONTROLLABLE VARIABLES THAT MAKE THE SEARCH FOR EFFICIENCIES IN OUR OPERATIONS ALL

THE MORE ESSENTIAL. WE CAN'T DO ANYTHING ABOUT EXCHANGE RATE FLUCTUATIONS, BUT WE CAN ADDRESS OTHER COST FACTORS OVER WHICH WE EXERCISE GREATER CONTROL.

AS YOU WOULD EXPECT, THESE CHALLENGES ARE SHARED BY ALL PORTS, ON THE EAST COAST AND WEST, IN NORTH AMERICA, EUROPE AND ASIA. THEY INCREASINGLY ARISE FROM THE FACT THAT TIME LINES HAVE SHORTENED, "JUST-IN-TIME" AND MINIMAL INVENTORY SYSTEMS BECOME MORE GENERALIZED, AND EVERY COST IN THE PRODUCTION CHAIN MUST BE REDUCED IF NOT ELIMINATED. AS DR. MICHAEL TRETHERWAY OF INTERVISTAS CONSULTING POINTED OUT AT A CONFERENCE HERE IN VANCOUVER A FEW MONTHS AGO, INVENTORY IN SUPPLY CHAINS CAN ADD TWENTY FIVE PERCENT OR MORE TO THE COST OF A COMMODITY, A VERY HIGH SHARE INDEED. BEING IN THE GAME MEANS BEING ABLE TO HELP REDUCE THOSE COSTS.

WITH TIME BEING OF THE ESSENCE, CONGESTION IS ON EVERYONE'S LISTS OF CONCERNS. PORT AND FACILITY

EXPANSION PLANS IN CANADA ARE ADDRESSING SOME OF THIS, BUT IT REMAINS A DAILY PREOCCUPATION TO THOSE PEOPLE FOR WHOM THE LONG TERM IS NEXT MONTH. CONCERNS ABOUT PORT AND RAIL LINKS, ESPECIALLY INTERIOR BOUND RAIL CAPACITY, WERE RAISED BY ALL OF MY INTERLOCUTORS.

THE AVAILABILITY AND SKILL SETS OF LABOUR, AND LABOUR/ MANAGEMENT RELATIONS IS ALSO ON EVERYONE'S LISTS.

IN THE POST-9/11 WORLD, THE INTRODUCTION OF RELIABLE SECURITY SYSTEMS IS A SINE QUA NON OF DOING BUSINESS, AND NOT ONLY IN THE UNITED STATES. HOW WE WILL ENSURE SECURITY, RELIABILITY, EFFICIENCY AND SPEED ARE CHALLENGES THAT WILL BE MET OVER TIME, BUT ON WHICH MUCH ATTENTION STILL HAS TO BE DEVOTED.

NEW ENVIRONMENTAL RULES AND REGULATIONS DEALING WITH COLD IRON, GROSS EMISSIONS STANDARDS, FUEL STANDARDS AND SO FORTH, AS WELL AS THEIR STANDARDIZATION ACROSS JURISDICTIONS WILL ALSO REQUIRE A GREAT DEAL OF ATTENTION AND EFFORT.

I DON'T EXPECT THAT ANY OF THESE CONCERNS ARE NEWS TO ANYONE TO THIS ROOM. MY PURPOSE IN LISTING THEM IS TO DEMONSTRATE THAT OUR BUSINESS COLLEAGUES IN ASIA LARGELY SHARE WITH US THE SAME PREOCCUPATIONS.

MORE TO THE POINT, THIS LIST ILLUSTRATES THE COMPLEXITY OF THE TASK: THE JOB IS TO MANAGE THE MOVEMENT OF GOODS IN BOTH DIRECTIONS, AT COSTS THAT ARE LOWER AND WITH EFFICIENCIES THAT ARE GREATER THAN THOSE OF THE COMPETITION. THIS INVOLVES EVERYTHING FROM LONG TERM AND EXPENSIVE INFRASTRUCTURE DEVELOPMENT AT ONE END OF THE TIME SCALE TO, FOR EXAMPLE, MANAGEMENT AND REGULATORY STRUCTURES THAT FACILITATE THE ADJUSTMENT OF WORKING HOURS AT TERMINALS TO DEAL WITH THE EFFECT OF TODAY'S WEATHER ON LOADING SCHEDULES, AT THE OTHER.

FURTHERMORE, EVEN WHEN GOVERNMENT AND INDUSTRY DEMONSTRATE THAT THEY CAN MEET THESE CHALLENGES,

ONCE MET, OTHER CHALLENGES APPEAR, SO THE TASK
APPEARS SISYPHEAN.

WELL, THAT'S LIFE.

I KNOW THAT EVERYONE IN THIS ROOM HAS IDEAS ON HOW TO
MEET THESE ONGOING CHALLENGES. LET ME CONCLUDE BY
PROVIDING SOME OF MY OWN.

WHAT WE CAN BUILD ON AND WHAT MORE IS NEEDED

FIRST, LET ME REFLECT A BIT ON THE PEOPLE ASSEMBLED HERE
TODAY.

YOU MAY NOT SEE IT THIS WAY, BUT THE FACT OF THE MATTER
IS THAT JUST ABOUT EVERYONE HERE IS INVOLVED IN THE
KIND OF CONTINUOUS NATIONAL BUILDING PROCESS THAT HAS
AND WILL CONTINUE TO DEFINE CANADA FOR MANY DECADES
TO COME. CANADA IS AND WILL ALWAYS BE A VERY LARGE
COUNTRY WITH A COMPARATIVELY SMALL POPULATION WHOSE
MATERIAL ASPIRATIONS CANNOT BE ACHIEVED BY OUR
NATIONAL MEANS ALONE: WE CANNOT MAINTAIN AMONG THE

HIGHEST STANDARDS OF LIVING IN THE WORLD WITHOUT BEING FULLY PART OF IT, AND FRANKLY GETTING AS BIG A PIECE OF IT AS WE CAN. WE LIVE NEXT TO THE LARGEST ECONOMY IN THE WORLD AND WE KNOW THAT OUR KIDS ARE GOING TO LIVE IN A WORLD WITH PERHAPS THREE NEWLY EMERGED ECONOMIC SUPERPOWERS, ALL OF WHOM ARE GOING TO NEED RESOURCES AND GOODS AND SERVICES AND MARKETS. GIVEN OUR RELATIVE SIZE, THEY WON'T COME TO US: WE WILL HAVE TO GO TO THEM. WHAT THAT MEANS IS THAT WE WILL HAVE TO CONTINUE TO DO WHAT WE HAVE BEEN DOING SINCE THE 16TH CENTURY – BEING A SOURCE OF FISH AND LUMBER AND GRAINS AND METALS AND MINERALS AND OTHER PRIMARY MATERIALS – BUT ALSO WHAT WE HAVE BEEN DOING SINCE THE 18TH CENTURY, WHEN WE STARTED BUILDING THE PORT, ROAD AND RAIL INFRASTRUCTURE THAT SHAPED THIS COUNTRY, AND THEN THE 20TH CENTURY WHEN WE BECAME A SIGNIFICANT MANUFACTURER OF GOODS AND PROVIDER OF SERVICES, MANY OF GLOBAL QUALITY AND REACH. THERE ARE IN THIS AUDIENCE THE WILLIAM VAN HORNEs AND THE GERRY McGEERs AND THE CHARLES MELVILLE HAYS' AND THE ALBERT ROGERS WHOSE EFFORTS

GAVE US THE TRANSPORTATION NETWORKS THAT HAVE MADE CANADA WHAT IT IS. OUR TASK IS TO BUILD ON THIS GREAT TRADITION, THINK GREAT THOUGHTS ABOUT THE FUTURE OF TRANSPORTATION IN CANADA AND IN NORTH AMERICA AND TO BRING IT TO REALITY.

I THINK THAT THIS HISTORY, THIS TRANSPORTATION SECTOR'S HISTORY, IS ONE OF CANADA'S GREAT STRENGTHS.

OUR SECOND ADVANTAGE IS OUR STRONG TRADITION OF PUBLIC AND PRIVATE SECTOR COOPERATION IN THE REALM OF INFRASTRUCTURE. THIS IS FIRMLY ENTRENCHED IN THE HISTORY OF OUR RAILWAYS, IN THE PRIVATIZATION OF OUR AIRPORTS, IN INDIVIDUAL PROJECTS HERE IN THE LOWER MAINLAND, SUCH AS THE EXPANSION OF THE VPA, AND BUILDING OF THE CANADA LINE.

AS MINISTER LAWRENCE CANNON STATED A FEW MONTHS AGO, "OUR INFRASTRUCTURE PROGRAMS ARE DESIGNED TO ENCOURAGE PRIVATE SECTOR INVOLVEMENT, AS WE ARE SUPPORTIVE OF THIS OPTION IN INSTANCES WHEN PROVINCES,

TERRITORIES OR MUNICIPAL GOVERNMENTS SIGNAL THEY SEE A PARTNERSHIP OPTION AS A PRIORITY. WITHIN THIS FRAMEWORK, MANY MODELS ARE POSSIBLE.” (SPEECH FROM THE 14TH ANNUAL CONFERENCE ON PUBLIC-PRIVATE PARTNERSHIPS, TORONTO, NOVEMBER 20, 2006)

LET ME MENTION TWO OTHER ESSENTIAL BIG PICTURE ISSUES THAT SHOULD INVOLVE ALL OF US, AS WE ENDEAVOR TO ENSURE THE PLACE OF CANADA IN THE MARITIME TRANSPORTATION NEXUS.

THE FIRST IS ENHANCING OUR VISIBILITY. TAKE IT FROM ME: CANADA HAS A TREMENDOUSLY POSITIVE IMAGE IN THE WORLD, ONE THAT GOES WELL BEYOND OUR NATURAL ENDOWMENT, TO ENCOMPASS OUR VALUES AND THE HARMONY OF OUR SOCIETY, OUR “PEACE, ORDER AND GOOD GOVERNMENT”. IN MY EXPERIENCE, THIS IS A TREMENDOUS PLUS IN OPENING EVERY DOOR AND CROSSING EVERY THRESHOLD. BUT IT IS ONLY THE STARTING POINT, AND WE ARE NOT ALONE IN ENJOYING A POSITIVE IMAGE.

WE HAVE TO FOREVER AND ALWAYS ESTABLISH OUR BONA FIDES AT THE MICRO LEVEL AS WELL. AS WAS REPEATED TO ME AT EVERY TURN WHEN I WAS PREPARING TODAY'S SPEECH: WE HAVE TO SELL OURSELVES, AND CONTINUOUSLY, TO EACH AND EVERY ONE OF OUR CUSTOMERS. I HAVE BEEN TALKING BIG PICTURE BUT I AM WELL AWARE THAT THE REAL WORLD THAT IS YOUR BUSINESS AND YOUR CLIENTS' BUSINESS ALSO REQUIRES DAILY ADJUSTMENTS BASED ON NEW INFORMATION AND SHORT TERM PROJECTIONS OF WHAT MIGHT HAPPEN TOMORROW AND NEXT WEEK. IF IT IS ONE TASK TO PROJECT CANADA'S OVERALL IMAGE ABROAD, IT IS ALSO NECESSARY TO KEEP YOUR CUSTOMERS INFORMED AS PRECISELY AND RAPIDLY AS POSSIBLE OF YOUR PLANS AND YOUR PROJECTIONS AND YOUR NEEDS FOR THE FUTURE, AND SEEK TO UNDERSTAND THEIR PLANS AND THEIR PROJECTIONS AND THEIR NEEDS AS WELL.

IT IS ALL WELL AND GOOD TO PROJECT ONGOING MACRO GROWTH, BUT WHEN EXCHANGE RATES ARE FLUCTUATING AND FREIGHT RATES ARE GYRATING ON THE SPOT MARKET, WHAT YOU NEED AND YOUR CUSTOMERS NEED IS GOOD

INFORMATION THAT IS BOTH RELIABLE AND SPEEDY. SO KEEP THAT PRIORITY IN MIND, WHETHER YOU ARE RUNNING A PORT OR A TERMINAL COMPANY OR PROVIDING SOFTWARE SERVICES TO A FREIGHT FORWARDING CONCERN.

WE IN GOVERNMENT HAVE TO DO THIS TO. AMONG OTHER THINGS, WE IN THE ASIA PACIFIC REGION ARE MANDATED TO ADVERTISE AS BROADLY AND ACTIVELY AS POSSIBLE THE ASIA PACIFIC GATEWAY INITIATIVE. IN JAPAN, WE HAVE BEEN CONDUCTING INFORMATION SESSIONS, PRODUCED JAPANESE LANGUAGE MATERIALS, AND WE ARE ORGANIZING A 'PRINCE RUPERT ROAD SHOW TO ASIA', WITH SISTER MISSIONS IN ASIA. SIMILAR EFFORTS HAVE BEEN LAUNCHED IN CHINA, TAIWAN, HONG KONG.

THE SECOND MACRO TASK IS TO INCORPORATE IN OUR LONG TERM PLANS AND SHORT TERM ACTIVITIES THE NOTION THAT WE ARE PART OF ASIA. IF WE THINK THAT THE CHALLENGE IS TO DEAL WITH ASIA, RATHER THAN BE FULLY A PART OF ASIA, WE WILL MISS THE PROVERBIAL BOAT.

FOR EXAMPLE, I AM CONVINCED THAT HOW WE THINK ABOUT THE ASIA PACIFIC GATEWAY WILL AFFECT HOW WE PROMOTE IT AND HOW WE USE IT. SOME OF OUR PROMOTIONAL EFFORT FOCUSES ON CONVINCING OUR BUSINESS PARTNERS ACROSS THE PACIFIC OF OUR COMMITMENT TO MEET EXPANDING DEMAND FOR ACCESS TO CANADA AND THE MIDWEST OF THE UNITED STATES. AS I HAVE SAID, THIS IS IMPORTANT IN ITS OWN RIGHT, BUT THAT VIEW ALONE DOES NOT DO JUSTICE TO THE GATEWAY'S POTENTIAL, INDEED ALL GATEWAYS.

THE ASIA PACIFIC GATEWAY, LIKE ITS EASTERN COUNTERPARTS, MUST BE SEEN NOT ONLY BY OUR CUSTOMERS AS RESPONDING TO GROWTH PRESSURES. IT MUST ALSO BE UNDERSTOOD BY THE CANADIAN BUSINESS COMMUNITY AS A VEHICLE TO ASSIST ITS OWN INTEGRATION IN THE ASIA PACIFIC REGION. IT IS A MEANS TO FACILITATE THE TASK OF CANADIAN COMPANIES TO BECOME A GREATER PART OF ASIA, AS TRADERS, AS MEMBERS OF SUPPLY CHAINS, AS INVESTORS.

WHAT IS TRUE WITH RESPECT TO THE GATEWAY IS TRUE OVERALL. WHETHER VIEWED FROM CHINA OR JAPAN OR

KOREA OR ELSEWHERE IN THE REGION, CANADA IS A
POTENTIALLY ATTRACTIVE PARTNER WHO DOESN'T ALWAYS
COME TO THE DANCE. I ENCOURAGE YOU AND I ENCOURAGE
YOU TO ENCOURAGE OTHERS TO ENSURE THAT AS BUSINESSES
AND AS CANADIANS, WE MAXIMIZE OUR ADVANTAGE ON BOTH
SIDES OF THE PACIFIC.

THANK YOU.

JOSEPH CARON SEPTEMBER 10, 2007