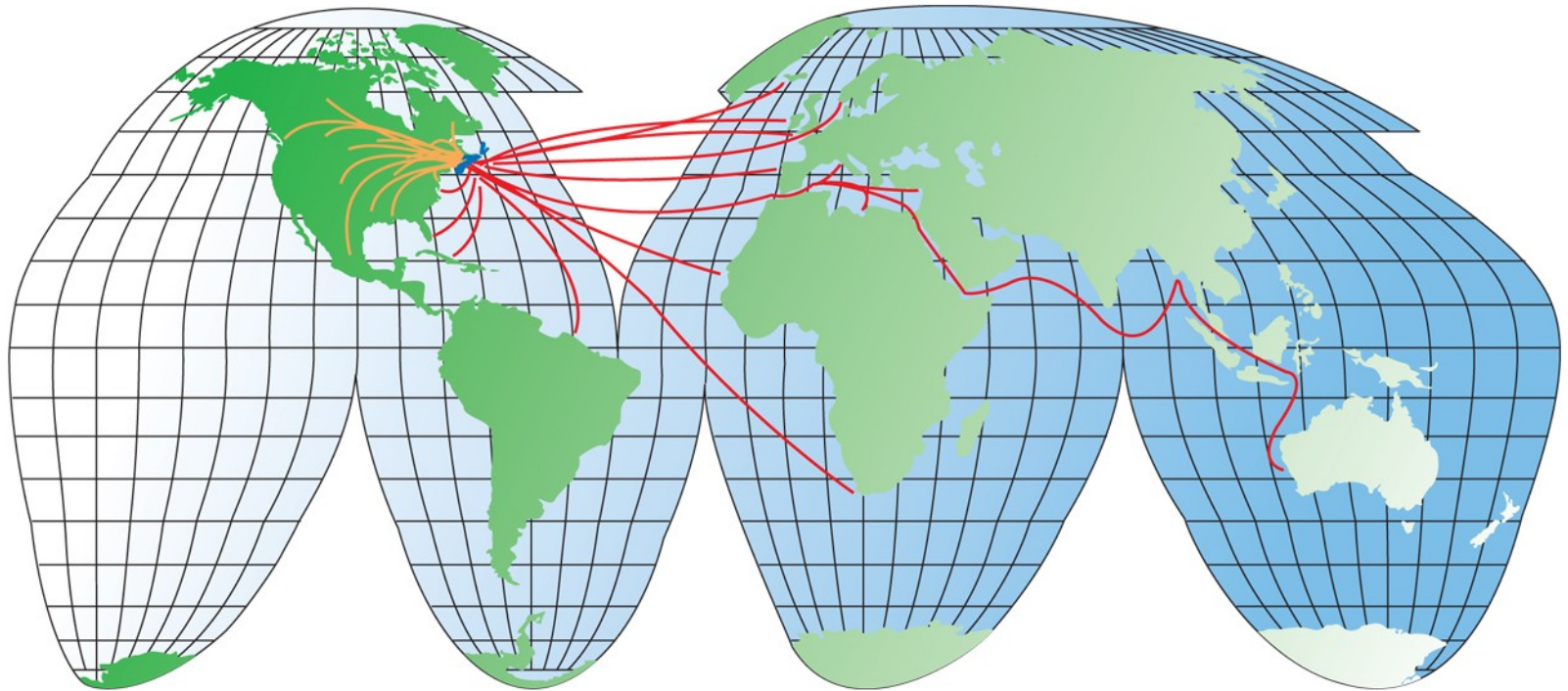


CANADA'S EAST COAST
Gateway
via Nova Scotia



February, 21, 2007

Gateway Definition

- **Gateway:**
 - an entry/exit point through which goods/passengers move beyond local even regional markets.
 - » Source: Transport Canada

Nova Scotia as a Gateway

- Nova Scotia has a tradition as a gateway for settlers, goods and military supplies
- In 2005, Port of Halifax - 14 million tones of cargo & 200,000 cruise ship passengers
- In 2004, Strait of Canso Superport - 24.8 million metric tones of cargo, 2nd largest cargo port in Canada.
- **Halifax International Airport**
 - 3.2 million passengers & 23,685 metric tones of cargo

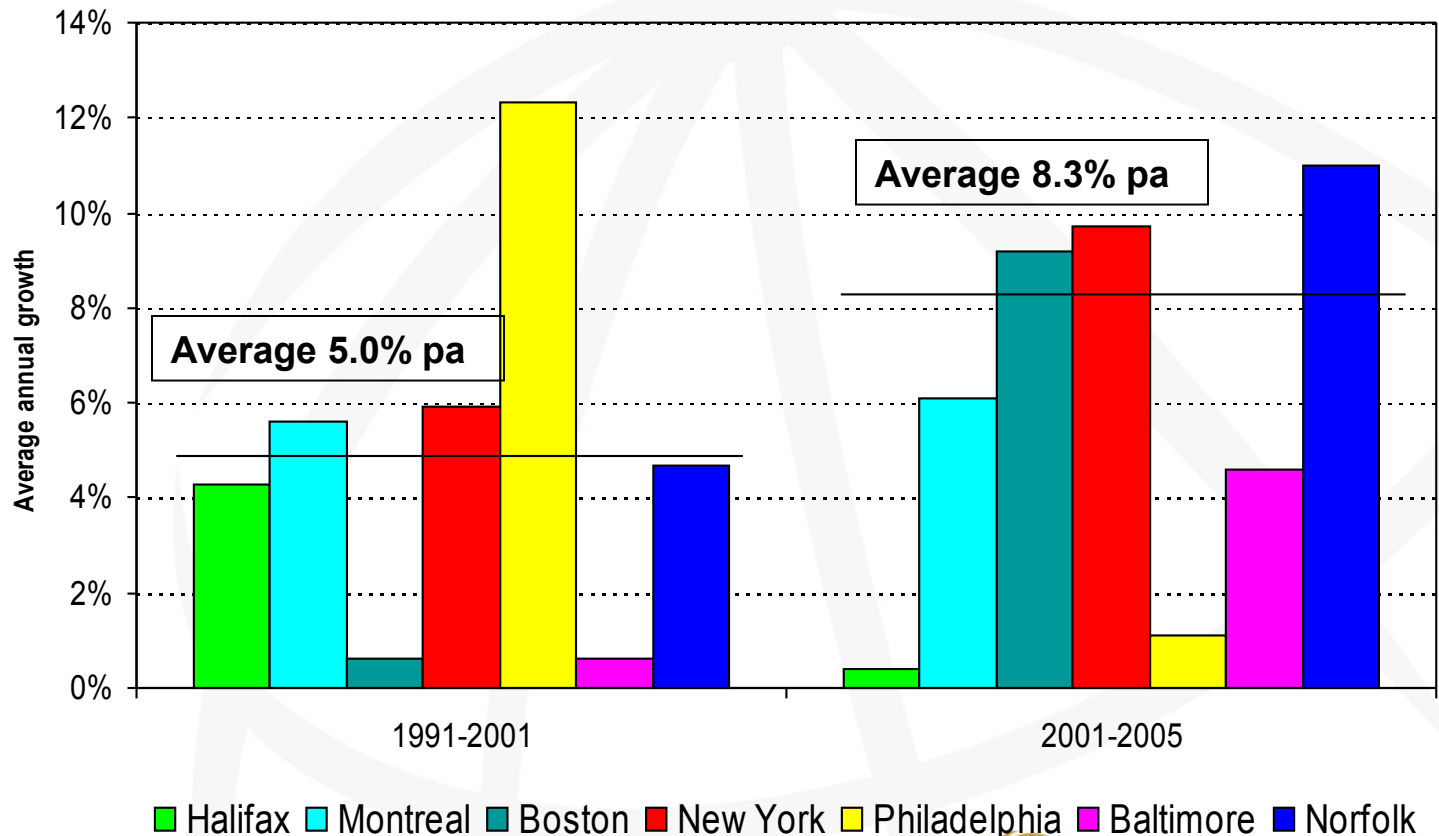


Nova Scotia Gateway Assets

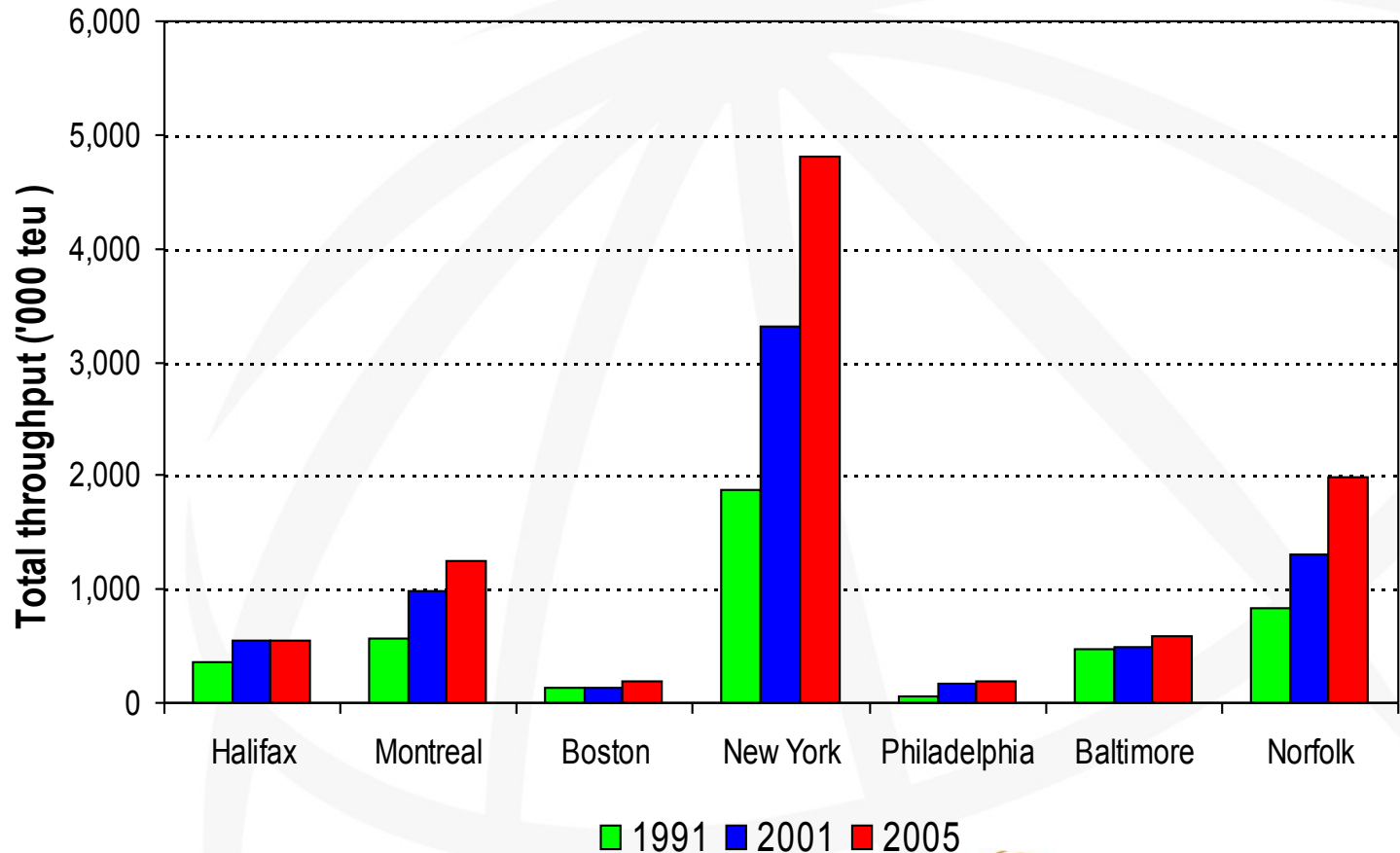
- **Deepest natural ice free harbours**
- **Cerescorp & Halterm - 2 terminals**
 - 900,000 TEU capacity – ability to expand to 2.0 million TEUs
 - On dock rail capacity
 - 3 post panamax crane – 2 on order for 2007
 - Accommodate x ships
- **Short Sea Shipping**
 - short sea shipping hub with excellent connections
- **CN Rail**
 - twice daily double stacked service to Central Canada & United States
- **Robert L. Stanfield International Airport**
 - US pre-clearance
- **2 Highway Corridors**
 - Atlantic Canada & US Northeast
 - Atlantic region with central Canada



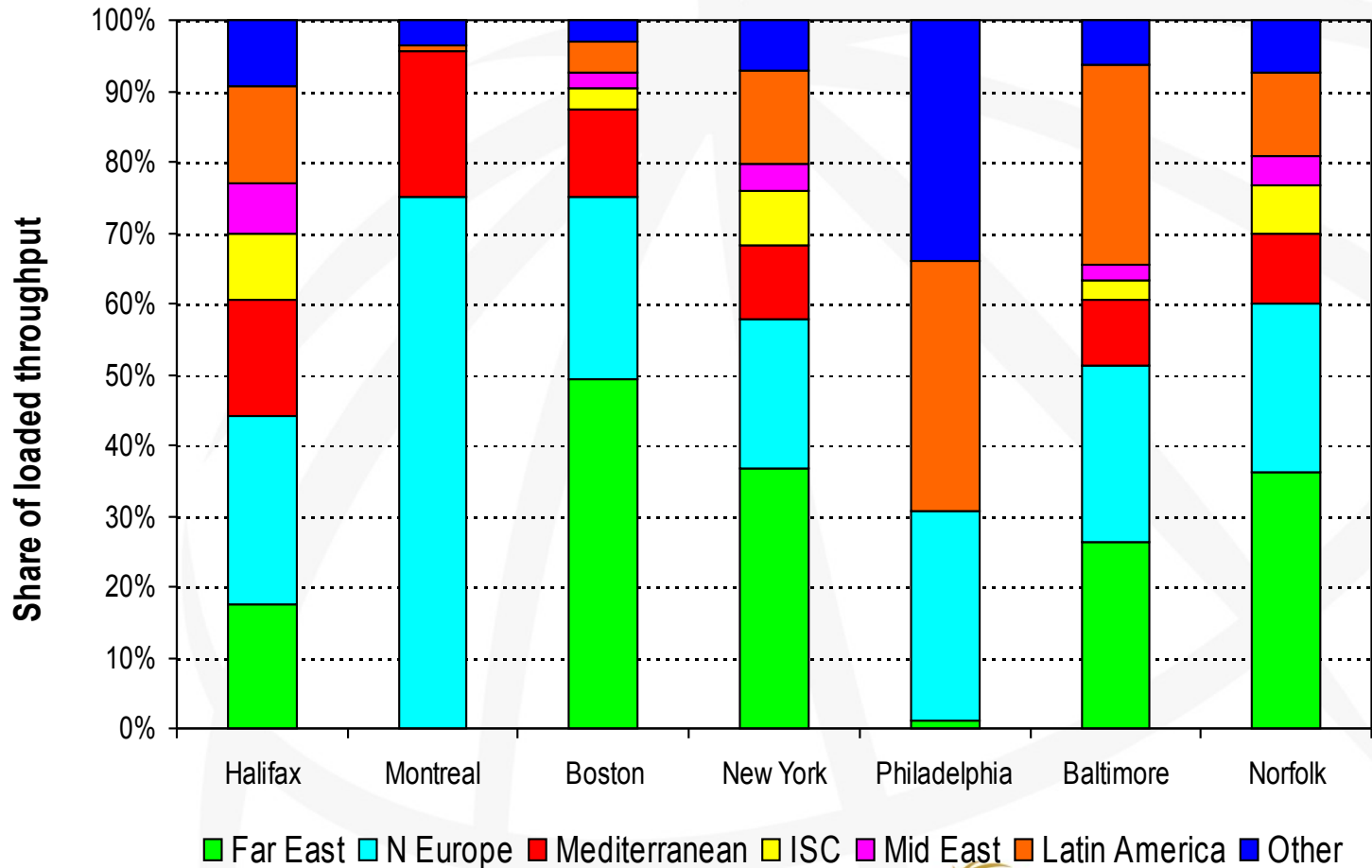
North Atlantic Port Growth



North Atlantic Port Volumes



Halifax market mix-diverse



Trade Expands

- **Canada is a trade-dependent nation.**
- **Global trade is being driven by Asian countries (China & India).**
- **China's international trade is expected to double by 2010 – referred to as the “China Effect”.**
- **China's Hong Kong, Shanghai & Shenzhen container ports handled 56 million TEUs in 2005.**

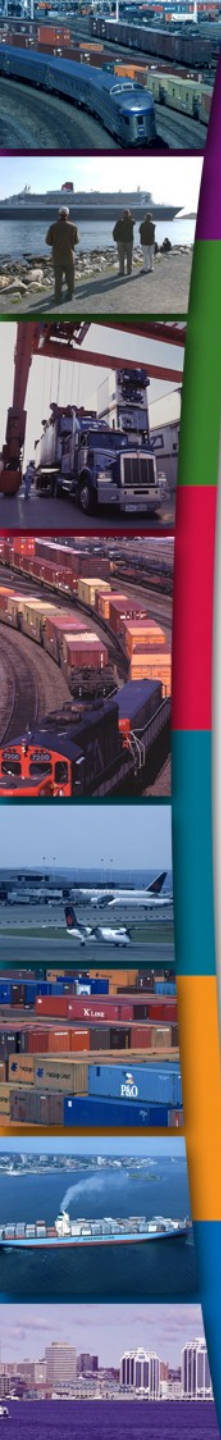
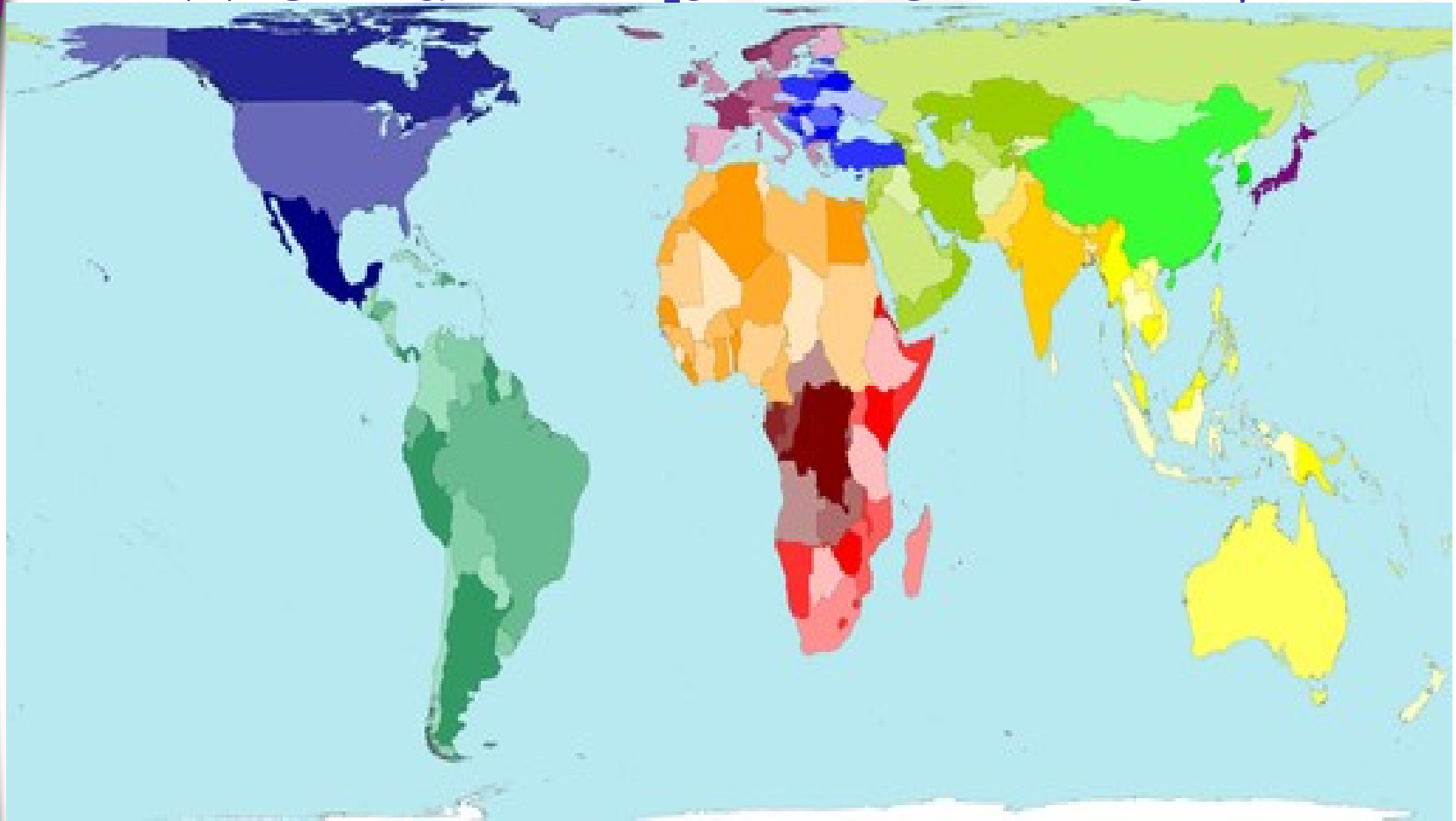
Asian Powerhouse

- 13 of 20 largest ports in the world
- 8 of 10 tallest skyscrapers
- 38% of world's electronics goods manufactured
- 42% of world's 2 billion mobile phones
- 463,537 engineering student graduated
- More than $\frac{1}{4}$ of world's high net worth individuals
- 25% of global auto sales

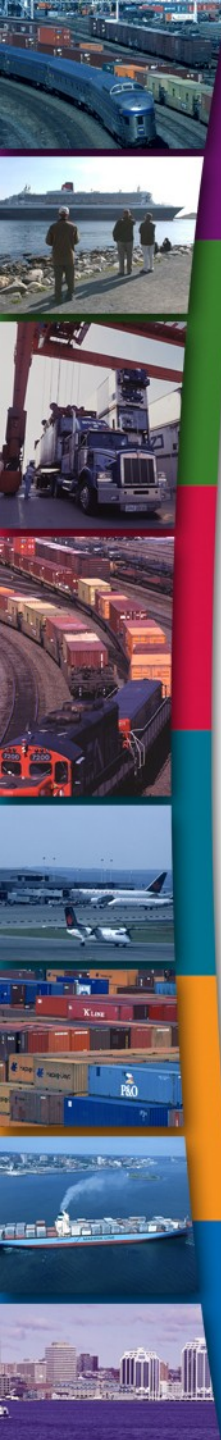
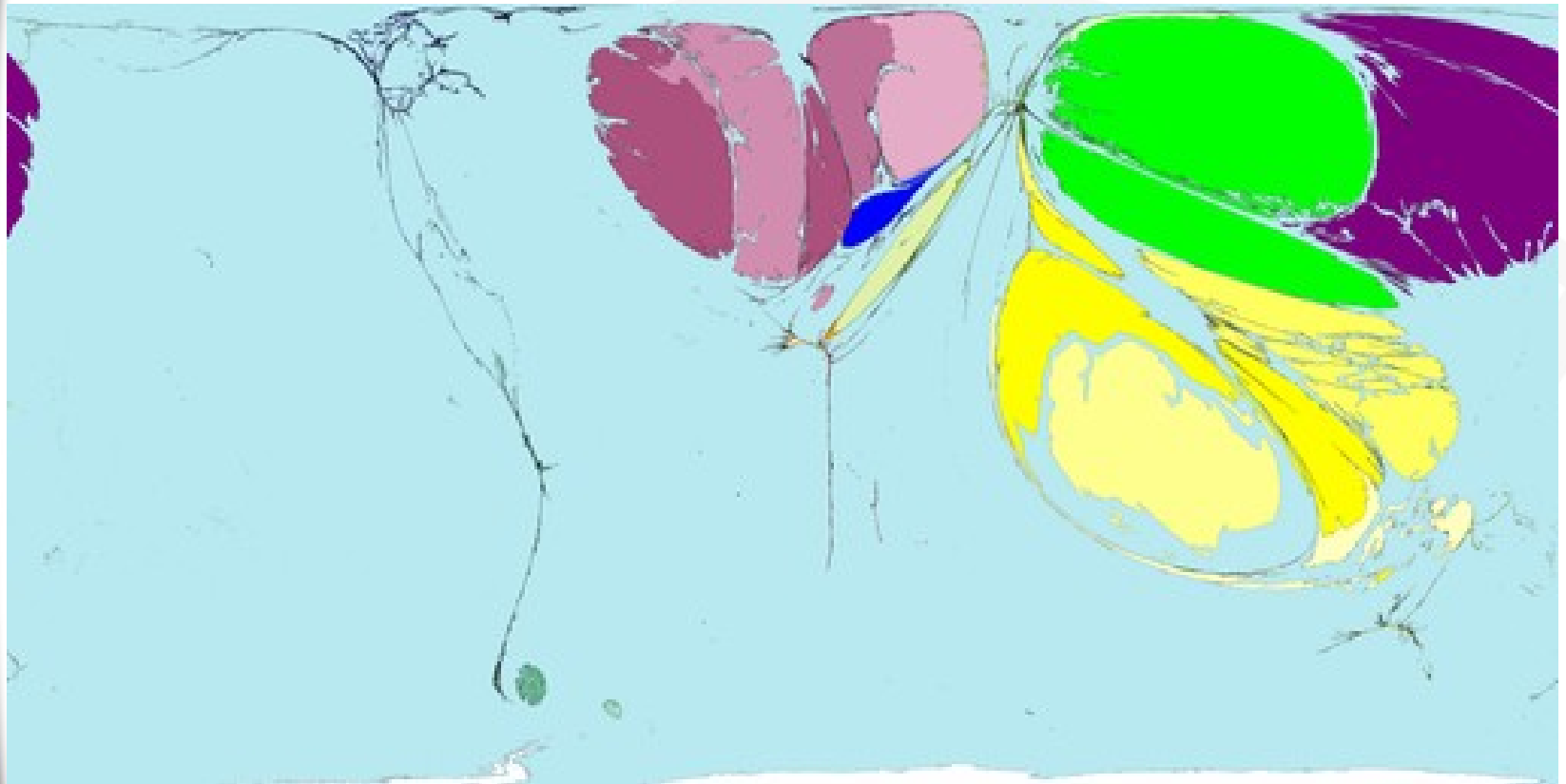
» Source: Asia Pacific Foundation of Canada *via Nova Scotia*



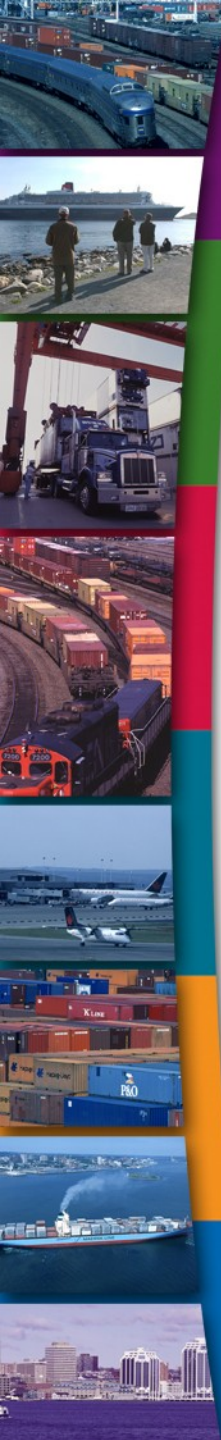
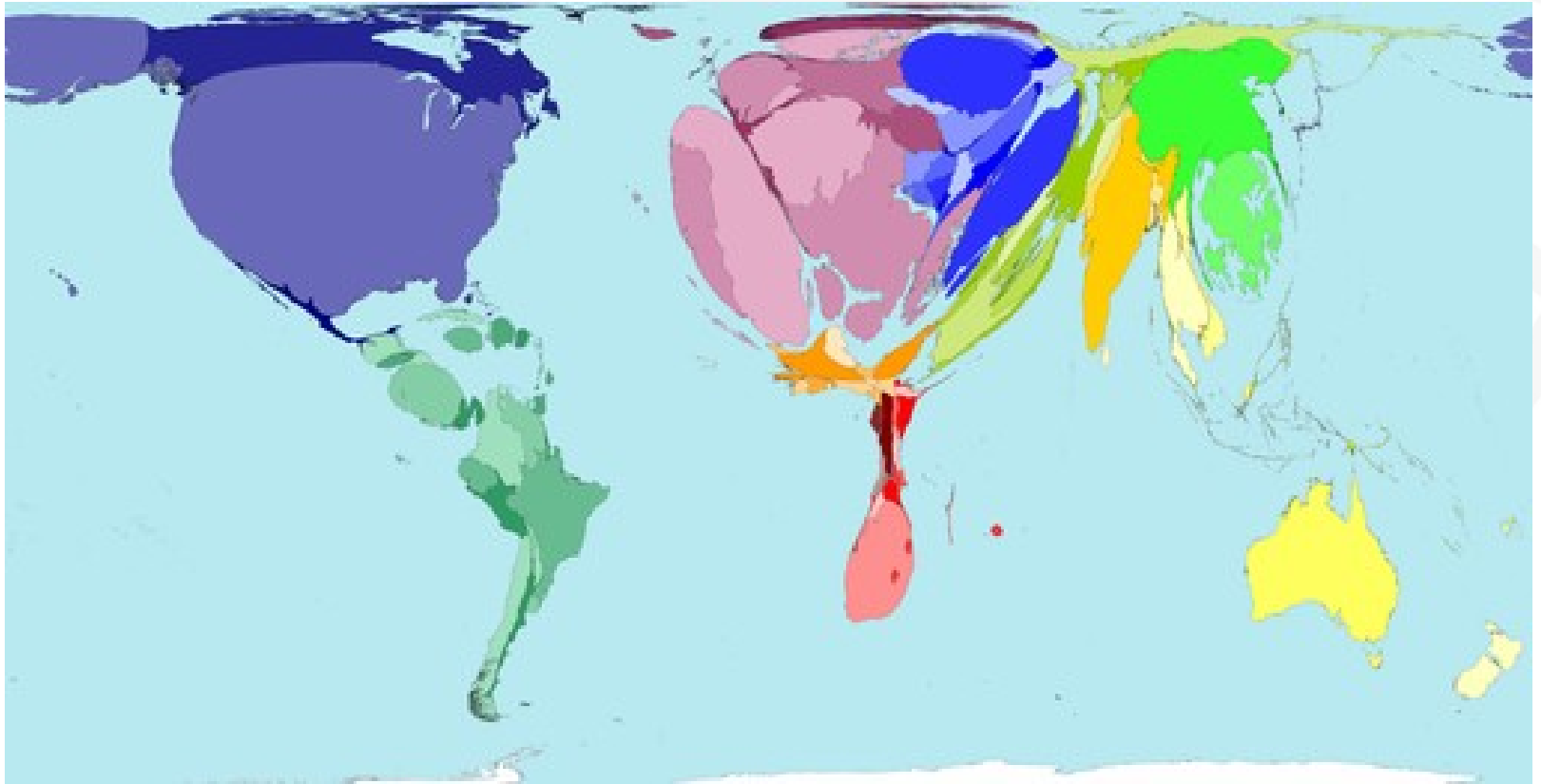
World Map - Territory



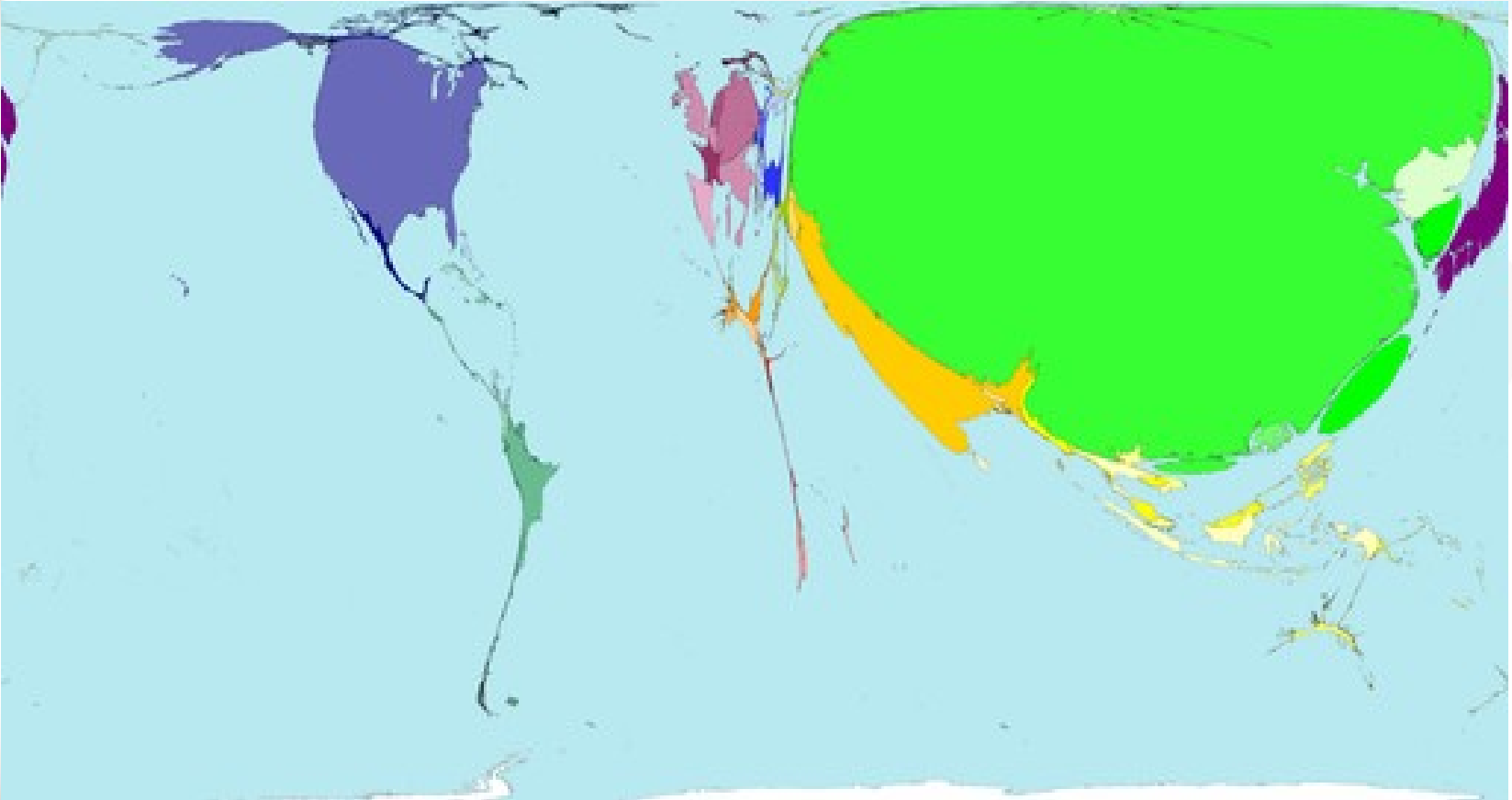
Computer Exports



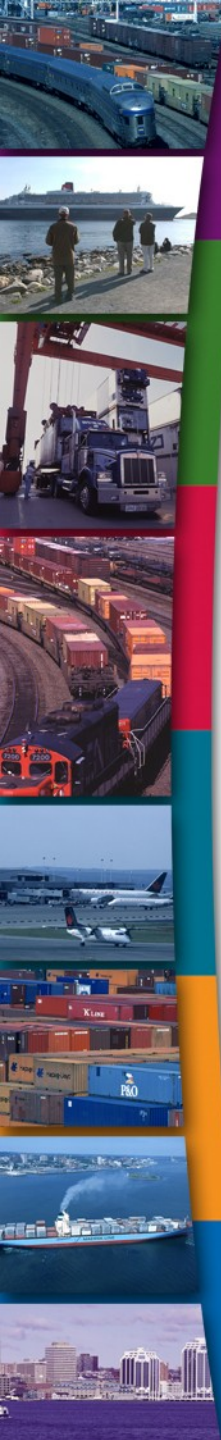
Computer Imports



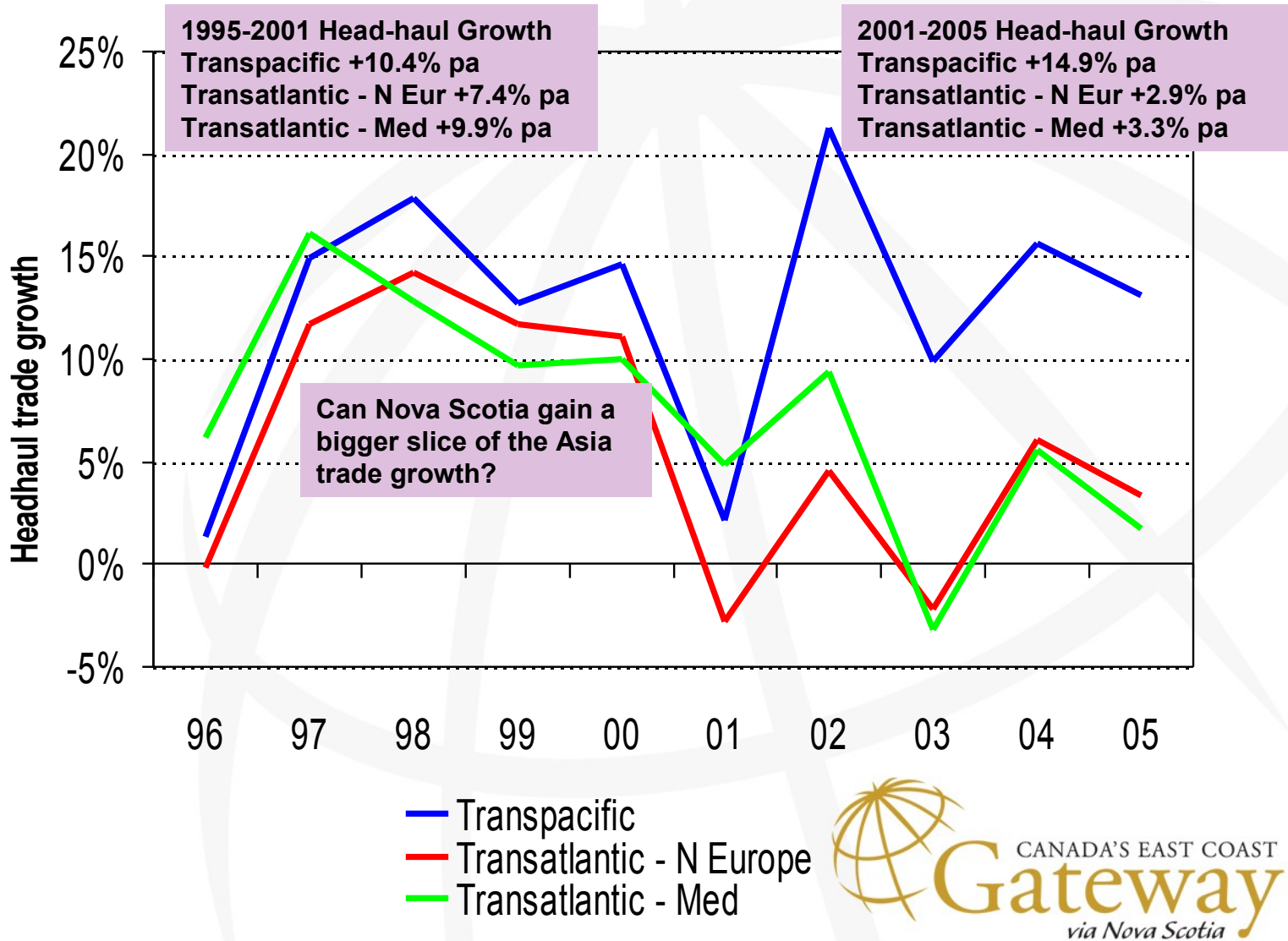
World Container Traffic



CANADA'S EAST COAST
Gateway
via Nova Scotia



Patterns in Global Trade



Premier's Federal Priorities

- **Premier MacDonald's key priorities**
 - Fiscal Imbalance
 - **Nova Scotia Gateway**
- **Establish Nova Scotia's strategic role within Canada's Atlantic Gateway.**
- **Federal recognition of the national significance of Nova Scotia's gateway assets.**

Nova Scotia Ports

- **Small local market=discretionary port of call**
- **Gateway to Canada and United States**
- **Cost competitive with US alternatives**
-





What Canada Needs!

- **Canada needs two front doors for Asia!**
 - We have the Pacific
 - We need the **Atlantic** for Asian traffic via Suez Canal
- **Nova Scotia's Vision**
 - *Nova Scotia is a strategic gateway to North America and a pivotal link in the global transportation system – to the economic benefit of Canada.*

NS Gateway Study

- **CPCS Transcom/Drewry Shipping Consultants engaged to:**
 - quantify types and amounts of traffic
 - air, cruise, containers
 - evaluate Nova Scotia gateway capacity
 - identify measures to fill gaps
 - articulate roles and responsibilities
 - identify opportunities for collaboration

What Consultants Told Us

Gateway Opportunities

- **Air:**
 - air cargo facility
 - US pre-clearance
- **Cruise:**
 - homeporting - small ship niche operators
- **Containers:**
 - **Post-Panamax ships from Asia via Suez Canal**

Asian Containers via Suez Canal

- **Opportunities**
 - large ships on Suez routes
 - grow Halifax to capacity
 - expand terminal capacity in Halifax
 - new greenfield capacity required
- **Strategy**
 - private sector driven
 - province to play supporting role
 - position in the national interest



Asian Containers via Suez Canal

- **Emerging Suez routes**
 - first in and last out port on Suez routes
 - Indian Market
 - cost competitive to South China
- **Capacity constraints -West Coast, Panama**
- **Greenfield possibilities**
- **New business- incremental volume for CN**

Geography

Via WCNA

77.6% of e/b trade

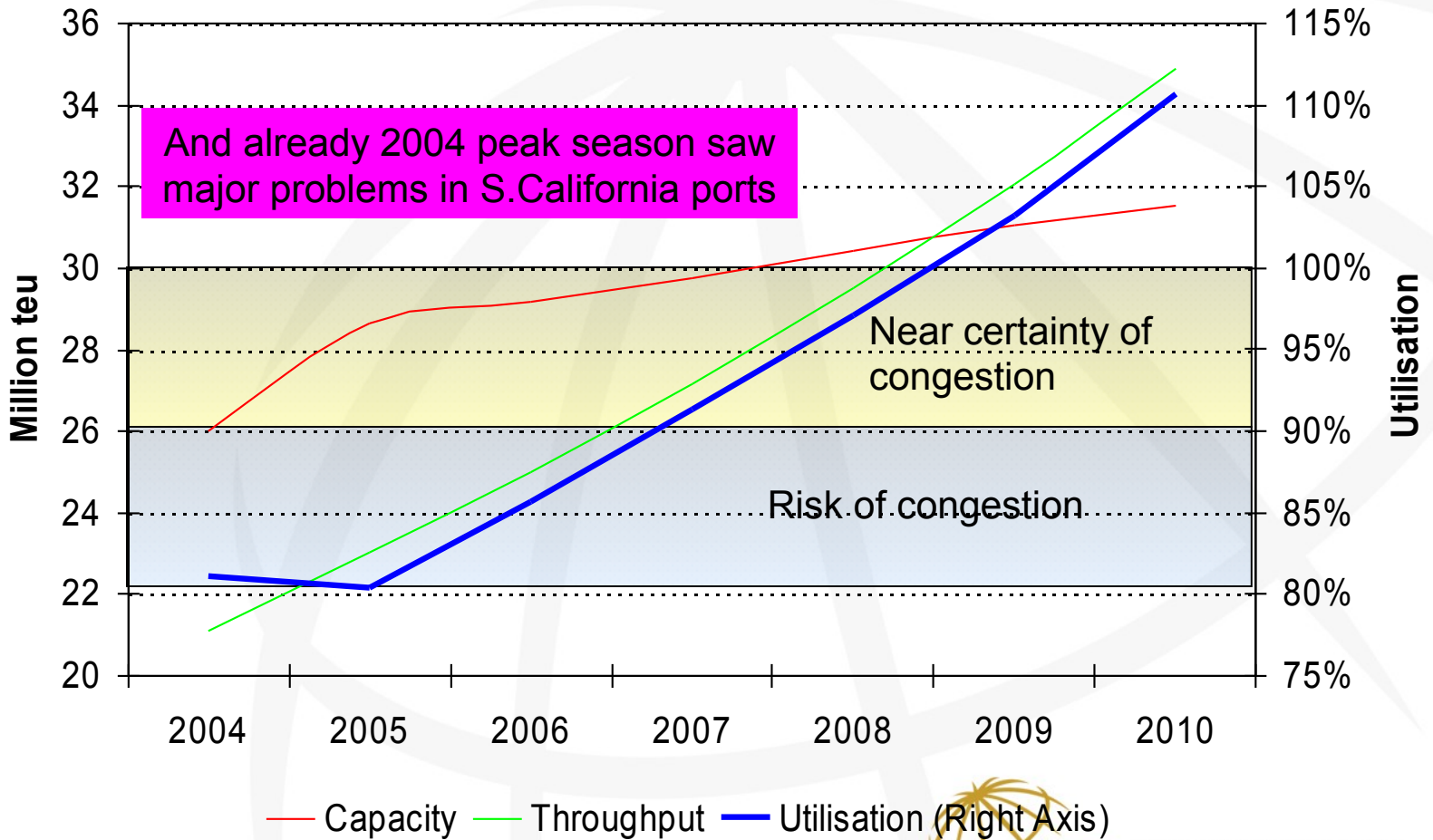
Via Panama to ECNA

20.5% of e/b trade

Via Suez to ECNA

1.9% of e/b trade

West Coast Port Congestion



Panama Canal - Capacity

- Pre booked transits increased to 91.3%
- August 2006, 90 ship backlog at Canal.
- Record price of \$220,300 paid for daily auctioned slot (plus fees).



Distance is not an issue for Suez - even for Hong Kong



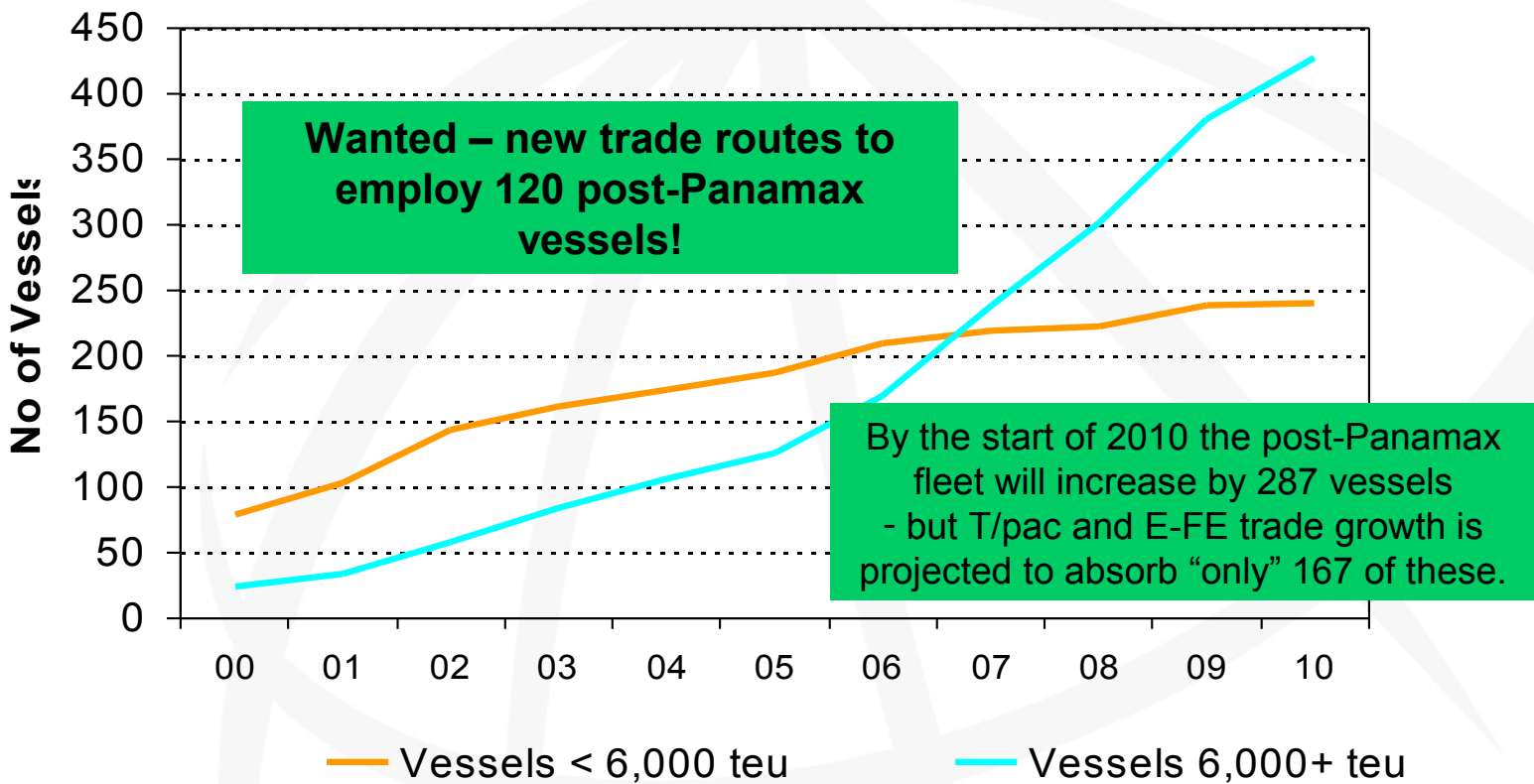
Mileage	Via Panama	Via Suez	Difference
HK/NY	11,301	11,632	+331
Laem Chabang/NY	12,645	11,002	-1,643

The Economist - India

- “...If you measure things by purchasing power parity, India should soon overtake Japan and become the third biggest economy, behind only America and China.”

» Source: Editorial - Economist Feb 3-9, 2007

Projected post-Panamax fleet development



Start Year Position
 – no scrapping and
 orders as at 1.7.06

Container Ships Get Bigger

First Generation (1956-1970)

	Length	Draft	TEU
 Converted Cargo Vessel	135 m	< 9 m	500
 Converted Tanker	200 m	< 9 m	800

Second Generation (1970-1980)

 Cellular Containership	215 m	10 m	1,000 – 2,500
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Third Generation (1980-1988)

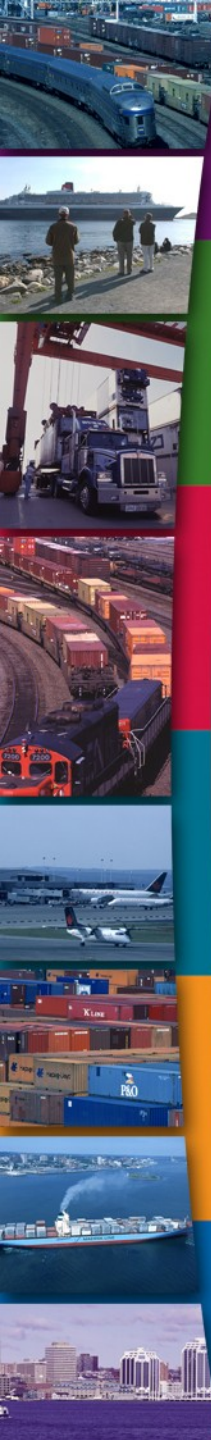
 Panamax Class	250 m	11-12 m	3,000
	290 m		4,000

Fourth Generation (1988-2000)

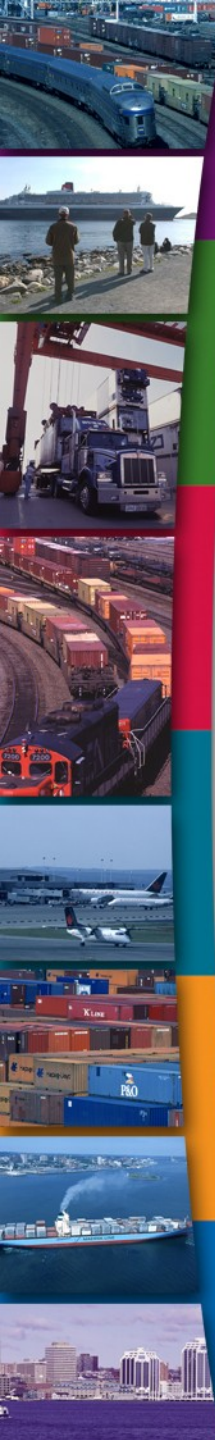
 Post Panamax	275 – 305 m	11-13 m	4,000 – 5,000
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Fifth Generation (2000-?)

 Post Panamax Plus	335 m	13-14 m	5,000 – 8,000
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Emma Maersk – Maersk Line



Drewry – Scorecard for Suez

Factors supporting a growth in Suez services	By	
Transpacific trade keeps growing	2006	✓
Carriers can extend the reach of Suez services to HK/Shenzhen so that sufficiently large vessels can be deployed to exploit Suez economies of scale	2006	✓
Competitive transit times for key port pairs	2006	✓
The cost equation is convincing	2006	✓
Key ECNA ports (especially New York) offer sufficient water depth to support post-Panamax vessels at maximum vessel draft	2006- 2009/10	✓
WCNA ports and/or the Panama Canal become capacity constrained	2007+	✓
Post-Panamax vessel availability improves	2007+	✓
Carriers, cargo interests, railroads and ports hear – and believe – the arguments!	?	?

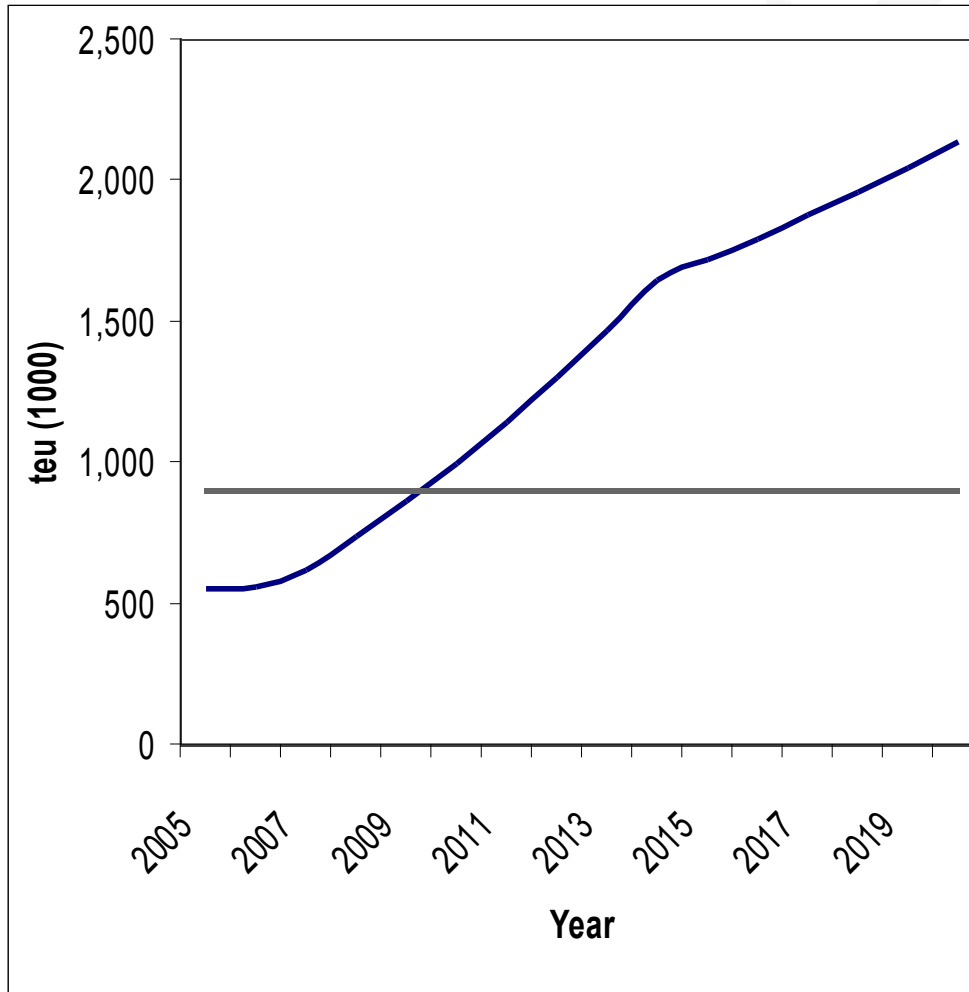
Post-Panamax Ships

- New York is a key port in determining calls from post-Panamax ships.
- New York is dredging to increase water depth from 45ft/13.7m to 50ft/15.2m by 2009.
- 15.2m of water is likely to enable around 60% of the 2009 post-Panamax fleet to operate in/out of New York.
- Already, with use of Halifax to lighten/top-off, New York can & does handle post-Panamax ships.

How the cards need to fall!

- **Panama Canal reaches effective capacity for container services**
- **WCNA ports become capacity constrained**
- **Post-Panamax vessel supply improves**
- **The cost equation is convincing**
- **Carriers, railroads, shippers, importers and ports hear - and believe - the message!**

Suez Canal Potential Volume



Year	Potential
2005	550
2006	555
2007	619
2008	736
2009	861
2010	996
2011	1,141
2012	1,297
2013	1,465
2014	1,645
2015	1,717
2016	1,794
2017	1,874
2018	1,958
2019	2,046
2020	2,138

Initiatives

- Trade missions & marketing support
- Logistics training facility
- Expansion of the Halifax terminals
- Highway & rail connection to terminal & upgrades to Truro rail transfer yard
 - conditional on private development
- Inland terminal Halifax
- Short sea opportunities
- Distriparks – transload facilities

Why Nova Scotia

- **Closest mainland port to Asia via Suez**
 - One day sail closer to North America
- **Nova Scotia has deep natural, ice free harbours to accommodate largest ships.**
- **Speed advantage on these routes as a 1st in port of call and last out.**
- **Excellent rail, truck, marine & air links to major North American markets.**

Why Nova Scotia

- **Congestion-free & can accommodate additional traffic right now**
- **Balanced cargo with local exports**
 - 55.5% export volume
- **Competitive labour rates, labour peace**
- **Lucrative local market (25%)**
- **short-sea shipping hub**

Why Nova Scotia

- **Competitive access to Quebec/Ontario & US Midwest.**
 - 75% of Halifax container cargo goes directly to clients in **Central Canada & USA.**
- **Shippers use East & West ports to balance their supply chain.**
 - Canadian Tire ships containers via Ports of Vancouver & Halifax.
 - Mitigates risk of using one gateway.
 - Fastfrate facility in Halifax

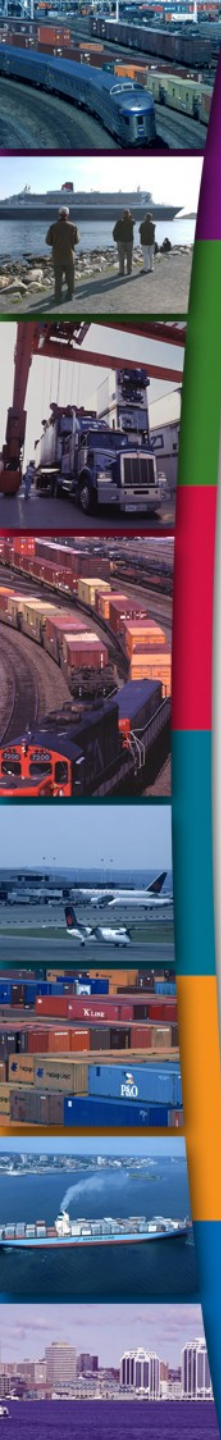


How Nova Scotia Benefits

- **Every time a container ship docks, it creates over 3 person years of employment**
- **Economic activity - \$900 million**
- **Employment – direct 5,750, \$259m wages**
- **Tax revenue collected \$122million**
 - Federal \$80million
 - Provincial \$38million
 - HRM \$4million

Competitors

- Competition for this traffic is intense.
- Other east coast jurisdictions are actively working to establish gateways.
- New York is a “must stop port of call”
- Panama Canal has approved widening project.
- Does not compete with Montreal on Suez traffic loaded on post-panamax ships



Federal Initiatives

- **Transport Canada**

- Gateway & Trade Corridor Policy Framework
- Asia Pacific Gateway announcement & funding of \$591million.

- **Advantage Canada**

- Role of gateways in terms of national productivity & competitiveness.
- Montreal, Saint John & Halifax important trade terminuses.
- Separate national infrastructure fund for gateway.

Conditions for Success

- **Move quickly to target opportunity**
- **Full engagement with Government of Canada – Transport Canada & ACOA.**
- **Develop the Atlantic Gateway Strategy with Atlantic Provinces.**
- **Private sector driven!**
- **Invest in marketing/infrastructure.**

Gateway Studies

- **Province of Nova Scotia**
 - Nova Scotia Gateway Study
- **Atlantic Provinces Economic Council**
 - The Changing Global Economy
- **Asia Pacific Foundation of Canada**
 - Embracing the Future
- **ACOA**
 - Atlantic Canada Gateway Business Case
- **Atlantic Institute for Market Studies**
 - Characteristics of Tomorrow's Successful Port
 - Atlantica & Trends in World Trade
 - 8 gateway discussion papers



Public Sector Collaboration

- **Federal/Provincial Working Committee**
 - Develop an Atlantic Gateway Strategy
- **Council of Atlantic Premiers**
 - Commitment to regional approach to gateway
- **Greater Halifax Partnership**
 - Transload Facility Phase II
 - TPW, OED, HRM, ACOA, HGC
- **Halifax Regional Municipality**
 - Inland Terminal Study Phase II
 - TPW, HRM, HPA, CN

Private Sector Leading

- **Greater Halifax Partnership**
 - Transload Facility Study Phase II.
- **Halifax Regional Municipality**
 - Inland Terminal Study Phase II.
- **Halifax International Airport Authority**
 - Air Cargo Study
 - Blue Sky
 - US Pre-Clearance
- **Regional cooperation**
 - Atlantic Provinces

Private Sector Leading

- **Halifax Gateway Council (2003)**
 - Collaborative process focused on creating an efficient & competitive gateway.
- **Halifax Port Authority**
 - Strategic plan focused on container growth
 - Opened India office, Jeena & Company
 - Macquarie purchase of Halterm
 - Ceres acquiring 2 additional super post-panamax cranes, additional rail capacity, & new truck terminal.
 - OOCL & China Shipping already calling on Halifax with Asian traffic via Suez Canal.

Private Sector Leading

- **CN commitment to Halifax**
 - Potential transload facility
 - CN anticipates significant growth at Halifax and potential for 2nd port at Melford
- **Fastfrate & Armour transload facility**
- **CRSA Transload Centre**
- **Halifax Airport Authority**
 - Air Cargo Study, Blue Sky, US Pre-Clearance
- **Atlantic Provinces Chambers of Commerce**
 - Atlantica: development of a strong north-south trade corridor expands the reach of the Atlantic Gateway



Federal Activities

- **Government of Canada**
 - Asia Pacific Gateway
 - Advantage Canada (separate gateway funding)
- **Transport Canada**
 - National Policy Framework for Strategic Gateways and Trade Corridors
- **ACOA**
 - Working in partnership with Transport Canada
 - Research agenda (APEC, APFC, Business Case)
 - Support initiatives/Advocacy role
 - Priority file for Minister MacKay
 - Collaboration with Nova Scotia

Nova Scotia Activities

- **Issues Committee of Cabinet**
- **Transport Canada senior officials**
- **CPCS Transcom study release as “draft”**
- **Briefings - Atlantic Senators, CN, PMO’s Office, Foreign Affairs, NB, Dept. of Finance, Halifax Gateway Council**
- **Working with Atlantic Provinces, ACOA & Transport Canada senior officials to develop Atlantic Gateway Strategy**

Activities - planned

- ACOA – Atlantic Gateway Business Case
- Build regional support - Atlantic Provinces
- Influence design of federal gateway funding approach
- Premier's Gateway Symposium dialogue with stakeholders – May 2007
- Work with Central Canada shippers who use Halifax as their gateway
- NS Gateway marketing video

Challenges

- **Positioning Atlantic Gateway within the national interest**
 - Requires private sector leadership/consistent messaging
- **Developing a regional strategy**
 - remaining focused on gateway infrastructure of “national significance”
- **Window of opportunity**
 - The competition are actively working hard
 - Early initiatives need to focus on growth strategies

Next steps & priorities

- **Build regional strategy through Regional Officials Table**
- **Engage NS stakeholders to ensure consistent, messaging/focused strategy**
- **Identify early initiatives to address “window of opportunity”**
 - E.g. marketing, trade missions, research

Suez Canal Summary

- **Conditions are right for all water services through the Suez Canal.**
- **NS ports go from last-in to first-in for ISC and Asian cargo.**
- **Significant economic opportunities for Nova Scotia, Atlantic Canada & Canada.**

Atlantic Gateway

- **Atlantic Gateway represents an opportunity of historic proportions for Canada. Business from Southeast Asia/Indian Sub-continent is incremental, it didn't exist 10 years ago. Canada's only way to capture a significant share of this business is with a Gateway based in Nova Scotia.**