

The International Economic Forum of the Americas

Toronto Forum for Global Cities

Presents

Global Cities in Challenging Times

How can global cities invest in tomorrow's prosperity?

Address on December 8th 2009

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**Port and rail infrastructure: The key to our future
prosperity**

Check against delivery

Thank you Madame Chairman, Ladies and Gentlemen, Mesdames et Messieurs.

It is a pleasure to be here with you this morning.

Thank you to Gil Rémillard and his team for the opportunity to participate and exchange views. Merci Gil à vous et à toute votre équipe de nous permettre de participer à cette plateforme internationale.

The theme of our Conference is “Investing in Tomorrow’s Prosperity”. The topic of our panel is “Financing Transportation Infrastructure”.

(And) with your permission, I want to approach both the theme, and the topic, from the perspective of the Montreal Port Authority. But first I would like to start with this thought:

Two centuries ago port and rail were at the heart of a developing economy called Canada. Today port and rail infrastructure development are not only key to getting us through the current economic storm, but key to our success in the 21st century.

The Port of Montreal is the world’s largest inland port, located a remarkable 1600 kilometres up the St. Lawrence from the open ocean.

We’re the second largest port in Canada – after Vancouver, and before Halifax.

And we are one of the five largest ports on the Eastern Seaboard of North America.

Much smaller, of course, than the large New York/New Jersey port complex, but comparable in size, and competitive with all others, including Norfolk in Virginia, Charleston in South Carolina, and Savannah in Georgia.

For those who don't follow marine matters in Canada, the Montreal Port Authority is a federal agency created under the terms of the *Canada Marine Act* – one of the seventeen Canadian port authorities.

Our Board of Directors is made up of seven business-people from the Montreal area - three representing the three levels of government; and four representing the interests of port users.

The Port of Montreal maintains port facilities that we lease to private stevedoring companies - who are members, along with the shipping lines, of the Maritime Employers Association.

We also directly operate a passenger terminal (those of you who have visited the waterfront in Old Montreal may know the Alexandra Pier), a grain terminal, and our own 100 kilometre rail network that provides both CN and CP Rail with direct access to almost every berth.

That is why some 325 people may work *for* the Port Authority. But 5500 people work *at* the Port.

And what they do, and the role they fulfil, makes the Port of Montreal a large, important and (I think it is fair to say) underappreciated economic engine for Montreal, and for Canada.

A catalyst for value-added GDP of some \$1.5 billion annually, with a total employment impact across Canada

estimated in the range of 18,000 jobs.

In recent years, the Government of Canada has initiated a new transportation strategy that sees the national infrastructure challenge in terms of three distinct trade routes – the Pacific and Atlantic Gateways, and the Continental Corridor.

For nearly 400 years, since the time of New France,

the raison d'être of Montreal has been to act as the gateway to the Continental Corridor that leads to, and from, the North American heartland.

For the first two of those centuries, the corridor involved the explorers and traders of New France who travelled by canoe up the Ottawa River to Lake Huron and beyond via the La Vas Portage ; and down the Mississippi via the Chicago Portage.

That's why, when Americans hear the names LaSalle, Marquette and Jolliet, they think of the American Mid-west, Illinois and Chicago.

Later, the continental corridor between Montreal and Chicago reflected the movement of bulk commodities up and down the St Lawrence and Great Lakes via the Welland Canal - whether North American grain en route to foreign markets; or North Shore trees ending up as newsprint for Chicago Tribune copy.

And now, it is a continental corridor less of ships, and more of trains and trucks; less of canals, and more of rails and road. A corridor for the

intermodal transport of containers. Shipments of perishables and manufactured products that must be moved to meet the needs of time-sensitive production chains and store shelves.

The method of transport, and even the route between Montreal and Chicago, have changed over the centuries. But one thing has not changed on this corridor.

Two hundred years ago, going through Montreal was the fastest surface route from Europe to Chicago. And it still is today.

In fact, it takes 13 & ½ days to ship a container from the ports of continental Europe via Virginia to Chicago; 11 and ½ days to perform the same task via New York; But just **9 and ½ days** through Montreal, in a fast-paced world

where “time is money” as never before.

And that is not *one-way* traffic. 90% of our container traffic is North Atlantic trade. And it is balanced *two-way* trade to-and-from the EU or Mediterranean, with 55% being outbound and 45% inward trade.

And that means *efficient* commerce, with little waste from carrying containers carrying nothing but air.

Increasing the velocity of cargo to enable quick ship departure, and removing congestion at the port *and* in transit, are the keys to success at any intermodal port. A port is only as good as its connecting transportation infrastructure of roads and rail.

That is why seeing the transportation challenge in terms of a corridor makes so much sense. Because you can call us the Port of Montreal, but we are as much the port for Chicago - the door to an interprovincial, transnational corridor.

So if we are going to optimize the potential of the corridor for *all* involved, we need more cooperation between not just Montreal, Quebec and Canada, not even just between Quebec and Ontario, but between Canadian and American partners, from both the public and private sectors, on both sides of the Detroit and St Clair Rivers.

The kind of cooperation, for example, that would see the construction of not just a new bridge *over* the water between Windsor and Detroit, but a new train tunnel *under* the river that could accommodate high-cubed double-stacked containers.

For our part, I unveiled earlier this year what we called our Vision 2020 strategy for the Montreal Port Authority. Vision 2020 started with a very clear-eyed assessment of current trends and developments.

The strategy recognizes that our future, like our past, lies primarily in Trans-Atlantic trade.

Hence our support for increased Canadian-EU commercial links; and the process launched at the recent Francophone Summit in Quebec.

We see our competition in heartland trade coming increasingly from the Ports of Virginia, Charleston and Savannah, - some of them supported well by ear-marked state taxes; all of them hoping to improve their intermodal

container transfer capability, to increase their container capacity; and to cut transit times to the interior.

We see a significant shift in transit routes coming mid-decade, with the opening of new locks in the Panama Canal – an expansion that will double the traffic capacity of that important marine corridor.

(And) we recognize the central, and growing role that will be played by container traffic; and hence the need to improve the quality and quantity of our intermodal capability.

Obviously, ports are a reflection of the economic climate. Ultimately, leading load centers are reliant on vessel deployment schedules, which in turn depend on trade patterns and volumes. And to say the least, the real economy is in the midst of an all-too-real storm. But I can say with absolute confidence, “this too shall pass” – certainly well before 2020!

Our Vision 2020 plan sees potential for *two* distinct businesses within the Montreal Port Authority.

One is the redevelopment of Alexandra Pier.

To rebuild the Marine Passenger Terminal; and to redevelop the Pier as a tourist destination and landmark address. A landmark like the Opera House in Sydney, the Modern Tate in London and the Yokohama Passenger Terminal.

And the second, and obviously core business, is shipping and intermodal

carriage.

We envisage building our container business in four phases by 2020.

Phase one, which is underway at a total cost of \$185 million, involves maximizing *existing* infrastructure to increase operational efficiency and expand the port's capacity.

Phase two involves transforming or redeveloping existing sites for optimum bulk and container storage in the 2008 to 2013 period. Phase Two involves a potential total investment of \$250 million.

And phases three and four, with an investment of well over 1 billion dollars will focus on the development of new facilities, in the East end of the Island of Montreal and on our Contrecoeur property some 40 kilometres down-river on the South Shore of the St Lawrence.

Taken together, Vision 2020 sees a modern Port of Montreal with triple the container capacity of today, connecting seamlessly via a modern and efficient road and rail network deeper into North America.

Realizing this full vision will not come cheap. We see investments, from the Port itself, from other public sector sources, and from private sector partners, that will total some \$2.5 billion over the decade - expansion activities that will add some \$¾ billion in value-added GDP and 10,000 jobs during the construction phase; and *recurring* economic benefits of about \$3.5 billion annually by 2020, including over 40,000 jobs.

Where are we going to find the capital to realize this vision?

First, it is clear that our ability to realize our vision and full potential will require a new level of public-private partnership.

Our solid track record should help. The port is a proven performer. We have enjoyed three decades of continuous and constant profitability and no long term debt. As a result, we think we are a good candidate for financing via revenue bonds.

The Government of Canada saw fit to amend the *Canada Marine Act* last summer to allow Ports to access federal funds for infrastructure, environment and security. I can assure you that we will be putting our best foot forward with the Federal Government on all three fronts.

Indeed, it is our view that Phases One and Two of our Vision 2020 strategy meets the criteria laid out by the Federal Government for early and priority action - namely, an infrastructure project that will stimulate the economy in the short term, while improving our long-term competitiveness.

At the same time, we are continuing efforts to improve our security system. And we are also determined that the Montreal Port Authority will move forward in ways that produce “durable” (or sustainable) development - Durable in the sense of not just positive environmental impacts, but economic and social outcomes as well.

We know the basic economic strategy of the Government of Canada in the years just ahead must be to replace weak American demand for automobiles and housing with (i) stronger domestic non-residential investment...and (ii) stronger commercial links to the Americas, to Asia and to the European Union.

We know Canadian governments of all political stripes, at all levels, are seeking to promote investment in productivity and increased international competitiveness...

We know the port is the door to a long Continental Corridor and a hub of Trans-Atlantic commerce; and that the economic value added by the port flows far and wide to many; and is *not* captured in its revenue streams. That it is an infrastructure facility that's valuable in its own right as a link, but literally *invaluable* to others on the chain.

Vision 2020 involves a multiple phase development. Certain phases are more appropriate for debt financing while others are good candidates for P3s. We have \$2.5 billion of robust projects – in four phases – to finance – with different risk sharing elements, which will affect the financing schemes.

Let me close with one final thought for your consideration... We are in the midst of a once-in-a-century storm. A process where we are witnessing what some call de-leveraging, but I call the “re-coupling” of the real and financial economies. I have always believed that the route to prosperity lies through savings, investment, production, the real economy and the free trading of goods - not through excess consumption financed with debt, or

the manipulation of financial symbols, or protectionism.

You can't get more real than the transport of goods through an international port. That is why I truly believe...Investing in the Port of Montreal, like Vancouver and Halifax, is a *real* investment in tomorrow's prosperity.