



PORT OF MONTREAL

**THE GROWING IMPORTANCE OF
THE CONTAINER TRADE FOR THE PORT OF MONTREAL
AND THE ACCOMPANYING BUSINESS CONCENTRATION;
HOW TO DIVERSIFY ITS OPERATIONAL AND FINANCIAL RISK**

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AT THE AAPA's PROFESSIONAL PORT MANAGER PROGRAM

December 23, 1996

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1. THE PORT OF MONTREAL

1.1 The Montreal Port Corporation

The Montreal Port Corporation was established as a local port corporation on July 1, 1983, under the Canada Ports Corporation Act and in accordance with the terms of the letters patent issued by the Transport Minister with the approval of the Governor in Council.

The local port corporation status provides the Port of Montreal with the necessary authority to fulfill its responsibilities in such areas as tariffication, marketing and promotion, supply of goods and services, human resources and property management.

The seven-member board of directors of the Montreal Port Corporation is made up of Montreal-area businesspeople.

The port corporation builds and maintains infrastructures leased to eight private stevedoring companies. It also directly operates a grain elevator, a passenger terminal and its own railway network with more than 100 kilometres (60 miles) of track serving almost every berth.

In December 1995, the Government of Canada announced a new National Marine Policy whereby public ports will be commercialized. The Port of Montreal has been identified as a member of the National Ports System and will be managed by a Canada Port Authority made up of representatives nominated by user groups and governments.

The increased commercialization of the Port of Montreal is merely an extension of what the Montreal Port Corporation has already been doing for years. Ever since its founding as a local port corporation in 1983, it has operated in a commercial, efficient and profitable manner. The new National Marine Policy will give the Montreal Port Corporation even greater autonomy and help speed up the decision-making process.

1.2 Mandate and mission

The mandate of the Montreal Port Corporation consists essentially of facilitating domestic and international trade and contributing to the achievement of local, regional and national socioeconomic objectives.

Within its mandate, the port corporation is committed to provide highly-efficient facilities and services to its clients -- shipping lines, stevedores and shippers -- and to stimulate activity by taking all possible measures to increase and promote the competitive advantages of the Port of Montreal.

1.3 A major world port

The Port of Montreal is Canada's number one container port and a leader on the North Atlantic. It is linked to more than 200 ports on all five continents by some 40 shipping lines.

Over the last decade, the Port of Montreal has handled an average of approximately 20 million tonnes of highly-diversified cargo annually -- containerized and non-containerized general cargo, grain, petroleum products, and other dry and liquid bulk. In addition, the port welcomes some 30,000 passengers to its Iberville Passenger Terminal every year.

Montreal is the one-stop port that opens doors to major markets on both sides of the Atlantic. Located 1,600 kilometres (1,000 miles) inland, the port is a key transfer point for transatlantic general and bulk cargo in a city that to a large degree has grown because of its port.

Strategically situated on the doorstep of North America's industrial heartland, Montreal serves as a gateway to the great producing and consuming areas of Central Canada and the US Midwest and Northeast. It is on the shortest, most direct route between these vast markets and those of Northern Europe and the Mediterranean. The port is very well served by road and rail links leading to all parts of North America.

The Port of Montreal is among the safest ports in the world. The safety of individuals and goods within port limits is ensured by an experienced police force assisted by security guards. The port perimeter and terminals are enclosed and entrances are always under surveillance.

The Port of Montreal is a bustling hub of domestic and international trade all year long. The St. Lawrence River has been navigable year-round for ocean-going vessels for more than 30 years. The port handles about one-quarter of its annual volume of general cargo in January, February and March. In short, Montreal would not be what it is today -- Canada's top container port and one of the major players on the North Atlantic -- were it not for year-round navigation.

Whatever the season, everyone involved in port activity strives to offer the best of services. A computerized dispatching system guarantees that the precise number of longshoremen with the exact skills required are assigned to a ship each day. The union and employers alike encourage longshoremen to pursue professional training and skills development. As a result, the labour force is flexible, professional and highly-efficient.

1.4 Facilities and services

Stretched out over 25 kilometres (15 miles) of waterfront, the multifunctional Port of Montreal offers its users ample, up-to-date equipment and facilities that can handle all types of cargo. It boasts:

- five full-scale container terminals;
- 2 transit sheds and open areas for non-containerized general cargo;
- three dry bulk terminals;
- one grain elevator;
- berths for handling liquid bulk and petroleum products;
- a railway network with more than 100 kilometres (60 miles) of track serving almost every berth;
- a passenger terminal;
- large-capacity cranes;
- special ramps for ro-ro cargo.

Repair, bunkering, towing, mooring and other essential services ensure a very flexible operation.

The Port of Montreal is a terminus for ocean-going vessels and lakers where ships are completely unloaded and loaded at the port's more than 100 berths.

Two customs bureaus located within the port speed up customs clearance for trucks, leading to reduced handling costs and greatly increased security and reliability. Shipping lines often benefit from pre-clearance of cargo allowing for faster delivery times to final destinations.

The Montreal Port Corporation believes that both its present and future clientele deserve top-notch facilities. Not only has the port corporation invested in its installations, it also has adopted a long-term development strategy designed to fully utilize, improve and expand port facilities. As part of this strategy, the port corporation purchased in December 1990 a major dry bulk terminal adjacent to its land bank in Contrecoeur, some 40 kilometres (25 miles) downstream from Montreal.

With its own railway, roads, electrical substations, water systems, sheds, bulk and container terminals, grain elevators, police force, etc., the Port of Montreal is a virtual "city within a city."

1.5 Financially self-sufficient

The Montreal Port Corporation is financially self-sufficient. Between 1984 and 1995, it generated \$148.4 million in total net profits, broken down as follows:

- \$49.9 million in operating profits;
- \$80.8 million in investment income;
- \$17.7 million in sale of assets.

These net profits have resulted in cash flows totaling \$264.5 million during this period.

With its profits and cash flows, the port corporation invested between 1984 and 1995 \$180.0 million in total capital expenditures, broken down as follows:

- \$37.5 million in its container terminals;
- \$36.5 million in its railway network;
- \$28.5 million in its grain facilities;
- \$77.5 million in its other infrastructures.

In 1995, the Montreal Port Corporation paid \$6.0 million in grants in lieu of municipal taxes.

Meanwhile, port tenants directly paid \$7.7 million in land, municipal and school taxes.

Together, the Montreal Port Corporation and its tenants paid \$13.7 million in grants in lieu of municipal taxes and in municipal and school taxes in 1995.

1.6 Economic impact

In addition to facilitating exports and supplying industries and businesses with all types of materials and products, the Port of Montreal generates revenues of \$1.2 billion annually for the Montreal region, Quebec and the entire country, and creates some 14,000 direct and induced jobs.

When considering these facts and the economic impact of port activity, it is evident that the port is not a burden on Canadian taxpayers but rather a key economic generator.

2. GROWING CONCENTRATION IN THE CONTAINER SECTOR

2.1 General cargo

The general cargo traffic category comprises all containerized and non-containerized traffic and groups together raw materials and other commodities not transported in bulk such as foodstuffs, wines and spirits, clothing, minerals, forest products, automobile parts, etc. This traffic category represents 40 per cent of the total traffic handled at the port. It is the sector of port activity that is the most labour intensive and has the greatest economic impact. It also is the sector where there is the most competition among ports.

Overall, traffic in this cargo category has continued to grow, showing a net gain of 2.7 million tonnes between 1984 and the record year of 1994. This clearly shows that the increase in containerized traffic is far from attributable to the phenomenon of cannibalization.

Since the advent of containerization at the Port of Montreal in 1967, general cargo traffic has more than doubled.

2.2 Container operations

A leader on the North Atlantic, Montreal is by far Canada's number one container port.

The port's containerized cargo comprises a wide variety of products reflecting the industrial mix of Central Canada and the American Midwest and Northeast.

Container traffic is the traffic category that has experienced the strongest growth at the port for more than 25 years. Ten years after the arrival of the first container in 1967, traffic in this sector reached 1.5 million tonnes. With an average annual growth rate of 9.2 per cent, traffic in this category almost quadrupled in the following 15-year period to reach a record 5.8 million tonnes in 1991. Despite the recession and increased competition, this traffic maintained its record level in 1992, and then increased by 2.9 per cent in 1993.

After a spectacular increase of 18.9 per cent in 1994, containerized general cargo traffic grew by one per cent or about 70,000 tonnes to exceed 7.1 million tonnes in 1995. The gain was slight, but it was enough to set another record. The port handled 726,435 containers in 1995.

For the first ten months of 1996, containerized general cargo at the Port of Montreal totaled 6.6 million tonnes, an increase of 741 000 tonnes or 12.7 % over what was recorded during the same period in 1995.

Port corporation forecasts for the five-year period ending December 31, 2001, indicate that containerized cargo traffic should increase from 7.1 million tonnes in 1995, to close to 8.0 million tonnes in 1996, and 8.8 million tonnes in the year 2001, with an average annual growth rate of 3.5 per cent.

The Port of Montreal has five modern full-scale container terminals covering an expanded area of more than 70 hectares (170 acres). They feature 13 dockside gantry cranes with capacities ranging from 30 to 50 tonnes and other equipment for handling containerized cargo. Containers can also be loaded and unloaded at several cargo berths by mobile cranes.

In all there are 18 container berths representing a total length of more than 3,000 metres (10,000 feet).

2.3 North American container markets

Montreal is a trading and commercial centre with an evolving industrial base. In its hinterland lies the most heavily industrialized region on the continent. Strung along its water, road and rail lines are great manufacturing centres populated by more than 100 million Canadians and Americans.

In 1995:

- 49.2 per cent of the port's containerized cargo traffic originated from or was destined to Canadian markets (province of Quebec: 25.6 per cent; Ontario and the rest of Canada: 23.6 per cent).

- 50.8 per cent came from or went to the United States, mainly the Midwest (Illinois, Michigan, Minnesota, Wisconsin and Ohio) and the Northeast (New England and New York State).

The predominance of Montreal in US markets dates back to the early 1980s and consequently, it is fair to say that the Port of Montreal was a precursor to the Canada-US Free Trade Agreement.

The Port of Montreal's importance in all of these markets has continued to remain stable, reaffirming its position as a special gateway.

On the North Atlantic, the Port of Montreal handles more containerized cargo than any other port on North America's eastern seaboard.

Tableau Containerized Cargo Traffic 1967 to 1995

Tableau - Containerized Traffic of major Eastern Seaboard Ports - 1979 to

2.4 Trade lanes

From a global perspective, almost 40 shipping lines link Montreal to five continents and some 200 ports worldwide. It is on the North Atlantic, however, where the economic benefits of Montreal show most notably.

The following is a summary of the Port of Montreal's trade lanes and the breakdown of cargo tonnage handled on these routes in 1995:

000's of tonnes

Trading Partners	General Cargo		Dry bulk	Liquid bulk	Grain	Total
	Cont.	Non-cont.				
UK & Continent	5,236	243	514	614	33	6,640
Mediterranean	1,515	41	117	178	352	2,203
Africa	60	80	132	2	34	308
Latin America	66	81	585	599	186	1,517
Asia/Far East	44	41	108	6	48	247
Oceania	0	0	175	2	0	177
United States	0	13	626	1,199	22	1,860
Canada	221	72	2,053	3,006	920	6,272
Total	7,142	571	4,310	5,606	1,595	19,224

The Port of Montreal handled more than 7.1 million tonnes of containerized cargo in 1995 -- 6.8 million tonnes or 95 per cent of which represented traffic on the North Atlantic route.

On these lanes, the major ports of call are:

- Antwerp and Zeebrugge in Belgium:
 - Lisbon in Portugal;
- Felixstowe, Liverpool and Thames port in the UK:
 - St. Petersburg in Russia;
- Rotterdam in the Netherlands:
 - Beirut in Lebanon;
- Hamburg and Bremerhaven in Germany:
 - Constanza in Romania;
- Le Havre and Fos in France:
 - Varna in Bulgaria;
- Cadiz and Valencia in Spain:
 - Odessa in the Ukraine.
- Genoa, Livorno and Naples in Italy:

2.5 Shipping lines

Some 15 container shipping lines, most of which are dedicated to the port, offer regular liner services out of Montreal. The port is a terminus for these lines, where vessels are completely unloaded and loaded at the container berths.

Many of these lines back their services with multimodal connections and extensive marketing and sales forces in areas such as Montreal, Toronto, New York, Detroit, Chicago and Boston. These lines include:

- B.O.L.T. Canada Line

- Canada Maritime
- Cast
- DSR-Senator Lines
- Hapag-Lloyd
- OOCL.

Among the other lines offering regular services through Montreal are:

- Christensen Canadian African Lines
- Coral Container Line
- Federal Atlantic Lakes Line
- Jadroplov
- Metz Canada Line
- Oceanex
- Shipping Corporation of India
- UAL Atlantica Line.

In the early 1970s, the shipping lines calling the port were among the first to introduce door-to-door service, a practice that has now become widely accepted.

Many of the shipping lines calling at Montreal are committed to weekly sailings. As well, concrete action taken recently by several lines calling at the port reaffirms its role as a major gateway in North America.

In 1994:

- Canada Maritime enhanced its Northern Service by adding a third route and increased capacity on its Mediterranean Service;
- Coral Container Line inaugurated a general cargo service between Montreal and Brazil;
- Cast introduced four fully-cellular container ships on its Montreal-Europe service;
- DSR-Senator Lines improved transit times on its Mediterranean-Canada Container Service;
- B.O.L.T. Canada Line inaugurated its regular weekly container service between Montreal and Europe.

In 1995:

- Canadian Pacific Ltd. completed the acquisition of the container shipping business of Cast, strengthening CP's position in the North Atlantic container trade;

- UAL Atlantica Line returned to the Port of Montreal, entering into a slot-charter agreement with B.O.L.T. Canada Line for a container service between Montreal and Europe;

- Melfi Lines inaugurated a general cargo service between the Port of Montreal and Cuba and other Caribbean and South American destinations;

- Christensen Canadian African Lines (CCAL) added a third vessel to its service between the Port of Montreal and Cape Town and Durban, South Africa, increasing sailing frequency to once every three weeks;

- Atlantic Conbulk Services launched a regular general cargo and bulk service between the Port of Montreal and Antwerp, Belgium;

- Cast added Liverpool as a second port of call in the United Kingdom;
- The Joint Mediterranean Canada Container Service (JMCS), a venture among Canada Maritime, DSR-Senator Lines and Jadroplov, was improved with the addition of Cast and the introduction of a second route;
- Canada Maritime began using weekly feeder services from Antwerp, Belgium, to St. Petersburg to carry containers between Russia and the Port of Montreal;
- Oceanex invested \$18 million to meet growing space demands between the Port of Montreal and Newfoundland;
- Canada Maritime bought two container ships for its Mediterranean Service.
- Fednav Limited, the largest ocean-going shipowning and chartering group in Canada, buys two new 44,000-deadweight-tonne craned bulk carries.

In 1996:

- Canada Maritime and OOCL take delivery of three new 2,200-TEU vessels specially designed to sail the St. Lawrence.
- Canada Maritime two's 2,200-TEU vessels are part of a three-year \$350 million investment program dedicated to the North Atlantic.
- CN offers an exclusive high-cube double stack (9' 6") service between the Port of Montreal and points in Canada and the US Midwest (in less than 30 hours).
- Fednav Limited buys six 34,000-deadweight tonne bulk carriers ice-strengthened for year-round operation on the St. Lawrence River set to be delivered in 1996-1997.
- Logistec Stevedoring upgrades and expands its fruit terminal to handle an increasing amount of non-containerized refrigerated cargo. Logistec invested more than \$1.2 million (cdn) to increase storage and handling capacity while the Port of Montreal invested some \$700,000 for electrical works and to

demolish part of an adjacent shed to provide an additional outdoor area of 6,750 square metres (75,000 square feet).

- The St. Lawrence Coordinated Service (SLCS) operated by Canada Maritime and OOCL, and Cast entered into a new slot-exchange agreement providing customers with more choices, sailings and flexibility on the North Atlantic.

- The Joint Mediterranean-Canada Service (JMCS) refines the routes linking North America with the Mediterranean via the Port of Montreal. JMCS members are Canada Maritime/Jadroplov, DSR-Senator Lines and Cast. The service's two loop structure links Montreal to Italy, France, Spain and Portugal.

- B.O.L.T. Canada Line, which operates a regular weekly service between the Port of Montreal and Europe, now offers a link to Russia and the Commonwealth of Independent States (CIS). Thames Neva Line is created to provide the link between B.O.L.T. Canada Service and the CIS trading area.

- Hapag-Lloyd chooses Montreal for its Canadian subsidiary Head Office while maintaining sales and service offices in Halifax, Toronto and Vancouver.

These commitments clearly underline the Port of Montreal's capacity to maximize economic efficiency in a very competitive environment.

2.6 Rail connections

It is also in its role as one of the continent's most important transportation centres that Montreal stands apart. Essentially, the Port of Montreal is a force in Canadian and US markets because it is the hub of a modern and efficient seamless integrated intermodal system.

The Port of Montreal operates its own railway network, with more than 100 kilometres (60 miles) of track serving almost every berth. The port has six locomotives and there is a switching capacity of 700 container railcars per day.

From 1984 to 1995, capital expenditures for the railway network at the port amounted to \$36.5 million.

The rail network interfaces directly with the yards of both transcontinental railways -- CP Rail System and CN North America -- which have rail access right at dockside with no intermediate transshipment like at many other ports.

With connections reaching far into the US, Canadian railways were built more recently than their meandering American equivalents and head out to their destinations in virtual straight lines.

Approximately 60 per cent of the containerized traffic moving through the Port of Montreal is carried inland by rail, mostly to and from markets in Ontario and the American Midwest.

In 1995, the port handled almost 125,000 railcars at its facilities, 90 per cent to or from container terminals.

With its excellent rail links, the Port of Montreal allows shippers to get their cargo to Toronto in 10 hours and Detroit in 25 hours.

Due in part to the continuous and improved cooperation with its rail partners, terminal operators and shipping lines, transit time to Chicago is now close to 30 hours, a remarkable improvement over the 72 hours of 1984.

Moreover, CP Rail System has increased its containerized freight-handling capacity between the Port of Montreal and Toronto with the introduction of a new regular double-stack container service in June 1992.

A CP double-stack service also began at the beginning of 1993 between Vancouver and Eastern Canada upon completion of tunnel clearance projects in Western Canada.

Since May 1994, CP has ensured a double-stack container service between the Port of Montreal and Chicago via the enlarged railway tunnel under the Detroit River.

CP has also expanded its Schiller Park and Bensenville Terminals in Chicago, and its Obico Terminal in Toronto.

Canadian National, meanwhile, has built the St. Clair Tunnel between Sarnia, Ontario, and Port Huron, Michigan, providing double-stack access to the US Midwest.

2.7 Road connections

Some 50 trucking companies carry about 40 per cent of the port's containerized cargo in the Quebec, Ontario and US Northeast markets.

The Port of Montreal's terminals are located just minutes away from a network of superhighways linking them to major centres throughout North America.

Some representative distances are:

In Canada:

Quebec City, Que.	269 km / 168 miles
Kingston, Ont.	280 km / 174 miles
Toronto, Ont.	536 km / 335 miles

In the US:

Burlington, Vt.	150 km / 90 miles
Albany, NY	320 km / 200 miles
Boston, Mass.	512 km / 318 miles
New York, NY	609 km / 378 miles
Buffalo, NY	638 km / 396 miles

Its proximity to these vast industrial regions and the fact that Montreal can accommodate trucking so well have largely contributed to the attractiveness of the port as a hub centre.

3.0 COMPETITIVE SITUATION

3.1 Geographic location

As stated earlier, strategically situated on the doorstep of North America's industrial heartland, Montreal serves as a gateway to the great producing and consuming areas of Central Canada and the US Midwest and Northeast. It is on the shortest, most direct route between these vast markets and those of Northern Europe and the Mediterranean.

Working through Montreal offers key benefits for shippers on the North Atlantic:

- In terms of proximity and rail and road connections, Montreal offers the most distinct advantages to shippers;
- Montreal's location offers straight-line rail and road connections, excellent delivery time and optimum profits;
- The east-west traffic that flows through Montreal are often balanced, particularly in container and general cargo movements;
- The markets on both sides of the Atlantic are huge, with opportunities for competitive carriers and shippers.

In Canadian markets, shipping lines calling the Port of Montreal are in direct competition with those calling the Port of Halifax. In the US, the competition is with lines calling the ports of New York/New Jersey, Baltimore and Hampton Roads.

In terms of the total cost of transportation paid by shipping lines, the Port of Montreal now finds itself in a close race with its American counterparts for serving US markets while still remaining the most advantageous port for serving Canadian markets.

3.2 Cost controls

The Montreal Port Corporation has taken a series of measures to ensure the port's future and maintain its competitive edge.

In order to provide its clients with efficient facilities and services at the most competitive costs, the port corporation is committed to rigidly controlling its own operating and administrative expenses. From 1986 to 1995 inclusively, these costs increased by only three per cent at the most. In fact, they decreased when you consider that inflation in Canada over the same period exceeded 33 per cent.

In order to reduce costs, the port corporation improved administration at all levels. In the context of fierce competition exacerbated by the recession, it was forced to rationalize even further, like many of its clients and other private enterprises.

The port corporation, which had 665 employees at the end of 1986, has only 350 today. Salaries of management and non-unionized personnel have been frozen since 1992.

To a large degree, cost control measures have allowed the port corporation to institute a tariff incentive program, created in 1986, to encourage as much container traffic as possible through port facilities.

3.3 Tariffs

The Port of Montreal was the first Canadian port to introduce a tariff incentive program to provide rebates to shipping lines. Since 1986, the port corporation has awarded \$39.8 million in incentives or rebates to its container shipping lines to support them in the market.

The Montreal Port Corporation also has frozen all its general tariffs in 1996 for a fourth consecutive year. The freeze affects harbour dues and charges for berthage and anchorage, wharfage and the railway, grain elevation and storage, as well as passengers. With the tariff freeze and the enhancement of the incentive program, net wharfage charges for containerized cargo at the Port of Montreal in 1996 average \$1.90 per tonne, compared with the rate of \$2.25 per tonne in effect back in 1985.

The port corporation has also introduced specific tariff rebates to stimulate certain traffic in other cargo categories. For example, it has given rebates of almost 50 per cent on its wharfage charges applicable to steel sheets and slabs for the last two years.

The port corporation has taken several other measures to improve the efficiency and productivity of the intermodal system.

3.4 Marketing

The Montreal Port Corporation has taken joint initiatives in the area of marketing and promotion. The corporation and its partners hold annual receptions to meet with shippers in New England, Detroit, Chicago, New York and Toronto. Cleveland and Montreal have been added to the promotional tour for 1996.

The port corporation has continued to increase its own marketing efforts. Its marketing department, with a total annual budget exceeding \$2 million, encompasses the following areas of activity:

- Business development, commercial affairs and promotion: \$1,110,000
- Economic research and analysis, purchase of studies, etc.: \$250,000
- Communications, information, marketing aids, media relations, special events: \$435,000
- Advertising: \$450,000

In furthering its marketing efforts, the port corporation has representatives in its major markets.

B & K Shipping Agency Ltd. represents the port in Ontario and the US Midwest and Northeast.

Last year, the port corporation published a special supplement on the Port of Montreal in the Journal of Commerce. This internationally-renowned daily business newspaper reaches more than 130,000 readers in North America, Europe and Asia.

In 1996, the port corporation will be present more than ever within the port's markets: at trade and industry exhibitions, and at conventions and conferences that bring together transporters and shippers. The port also will be seen more often in North American and European trade publications catering to exporters, importers and freight forwarders.

The port corporation also will continue to distribute its commercial video and brochure. Its information and marketing magazine, PortInfo, has a circulation of 13,000.

The shipping lines, agencies and railways serving the Port of Montreal use their extensive marketing and sales forces around the world to sell the port's competitive advantages. In reality, then, hundreds of representatives are selling the Port of Montreal.

4. THE CASE FOR DIVERSIFICATION

4.1 Spreading the risk

The Montreal Port Corporation, like other port authorities, cannot alone guarantee the competitiveness of its gateway. Also, it has no control on the financial health of existing users or the port.

For those reasons and as the container trade represents a significant part of its business, most of it concentrated on one major trade lane and few players, time has come to look at diversification prospects.

4.2 Spreading the fixed costs

Generally speaking, many of the costs incurred by a port authority are fixed in nature.

Volume, therefore, helps spread those fixed costs to the benefit of ports users including carriers, terminal operators, shippers and consignees, as long as ports practice responsible pricing policies.

4.3 Capitalizing on know-how and existing assets

Port authorities have know-how in differing sectors. In Montreal, we supervise the building of terminals and sheds, maintain same, operate a grain elevator, a passenger terminal and a rail network.

We have departments directing vessels, controlling dangerous goods, processing electronic data, managing leases and so on.

5. HOW AND WHERE TO DIVERSIFY

5.1 Business development effort

Ports can diversify by enticing new carriers and operators to use their facilities, by encouraging the development of new markets or by encouraging the development of new services.

The development of new markets and services can be port related or not.

5.1.1 Deepening and managing the St. Lawrence River

In November 1992, the Port of Montreal sponsored a maintenance dredging project that has increased by 30 centimetres or one foot the navigational depth of the St. Lawrence channel. The project, which increased the minimal water depth of the channel from 10.67 metres (35 feet) to 11 metres (36 feet), was mostly financed by the Port of Montreal. Although the prime objective was to accommodate container vessels in the range of 2500 TEUs, bulk carriers also benefited more than 180 bulk vessels took advantage of the extra foot of water from November 1992 to December 1995.

In 1996, the Port of Montreal fostered another maintenance dredging project to increase the water depth of the St. Lawrence channel by an additional 30 centimetres or one foot. Government approval is expected in the coming weeks for this \$6 million project, entirely financed by the Port of Montreal.

Beyond these two maintenance dredging projects, the Port of Montreal has financed the installation of 13 tide gauges on the St. Lawrence River in order to provide carriers with real time information on the water level and, thereby, allowing them to maximize vessel loadings.

Invested \$200,000 in a computerized information system designed to help maximize the loading of deep draught vessels at the port. The system, which comprises 13 tide gauges between Montreal and Quebec, electronically communicates water levels at all times for the better utilization of available water levels;

In addition, the Port of Montreal is currently working on a model to predict water levels up to one month ahead of time and on another model likely to further reduce underkeel

clearance requirements without endangering the safety of navigation.

In order to facilitate winter night-time navigation, the Port of Montreal has promoted the utilization of DGPS (Digital Global Positioning System) technology on the St. Lawrence River.

In summary, easier water access to our port facilities has benefited both the containerized and bulk trades.

5.1.2 Breakbulk

The handling of breakbulk is a labour-intensive operation and any decline in traffic impacts negatively on the cost of job security to be paid by members of the Maritime Employers Association.

To correct the situation, the Port of Montreal is encouraging the consolidation of cargo in a modern state-of-the-art-facility that would offer specialized sheds and equipment to handle steel, forest and food products in a productive and efficient manner. Sections 48 to 52 have been put aside for the construction of such a modern, multimillion dollar breakbulk facility.

Meetings between shippers/consignees, terminal operators, the longshoremen's and checkers' unions, the Maritime Employers Association and the Port of Montreal were organized to validate expectations pertaining to productivity, gang sizes, costs, sheds and equipment.

As well, the Port of Montreal supported a Logistec Stevedoring Inc. project in 1996 to upgrade and expand its fruit facility at Hochelaga Terminal while reducing wharfage on steel products and other selected breakbulk commodities facing particularly stiff competition.

5.1.3 Dry bulk

Several capital investment projects have been scheduled in our 1997-2001 corporate plan in order to better accommodate existing and future dry bulk traffics.

One of these projects consists of redesigning the dry bulk terminal we purchased in the City of Contrecoeur, some 2,5 miles east of Montreal in December 1990, and providing same with a second berth in order to accommodate an increasing traffic flow generated by the local heavy industry.

The Port of Montreal is also planning to redevelop Sections 98 to 100 where Texaco formerly operated a petroleum products terminal and to transform the vacant area into a combined dry bulk and liquid bulk terminal. This would create a much needed area for handling Montreal-based dry bulk commodities while allowing the port to free other areas in order to accommodate the growing needs of the container trade.

The Port of Montreal will be redeploying its dry bulk terminal at Sections 39 to 42 where bulk commodities needing shelter must be handled. The project will consist of repairing sheds and providing shelters for the unloading of railcars, thereby reducing material losses and containing dust emanations.

Investments will also be made to upgrade our Laurier/Tarte Terminal. We will be repairing a berth and dredging another one while looking for potential users of our Elevator No. 3, vacant since two cement companies decided to rationalize production in the Quebec City Region.

5.1.4 Liquid bulk

The Port of Montreal is planning to renovate and dredge Berths 105 and 106 in order to accommodate larger liquid bulk vessels and help reduce ocean transportation costs. The port took the lead in developing a consensus among existing and potential users of the site.

Marketing research will be undertaken in order to quantify the need for a common-user liquid bulk terminal specializing in cargoes stored in smaller quantities.

5.1.5 Passenger terminal

The Port of Montreal is modernizing its passenger terminal and adapting its structures to modern-day passenger vessels.

It has invested \$200,000 between 1991 and 1994 to spruce up cruise facilities and build another access ramp for buses. In 1995, the port corporation invested \$500,000 in the first phase of a project to better accommodate cruise ships. Phases II and III will be carried out according to demand.

A working committee regrouping government representatives, tourism agencies, the hotel industry, shipping agencies and ports was created in order to promote the American East Coast/Atlantic Canada/St. Lawrence River circuit.

The cruise industry offers good growth potential and the vessels are fully compatible with the depth of the St. Lawrence River even though the cruise season on the St. Lawrence River remains short.

5.1.6 Land acquisitions

The Port of Montreal has Assembled a land bank at Contrecoeur designed to satisfy, as needed, future growth requirements. The port has also purchased a major dry bulk terminal immediately adjacent to this land bank;

It continues to buy adjacent property on the Island of Montreal whenever required and if economically viable for the long-term development of its terminals.

CONCLUSION

Despite fierce competition, round-the-world services and deregulation in the US, the Port of Montreal is confident that it will remain a major player on the North Atlantic well into the next century.

This is based on its undeniable strengths, including a unique and strategic geographic location, modern and efficient facilities, state-of-the-art intermodal infrastructures including dockside rail access, and year-round navigation.

Everybody involved in port activity -- on water and on land -- must continue to do their share so that the entire Port of Montreal system can keep on improving, progressing and capturing all business opportunities that lie ahead.