



Premier Rodney MacDonald's Symposium on Canada's Atlantic Gateway

The Atlantic Gateway **A Critical Component of Canada's Supply Chain Infrastructure**

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Canadian Tire Corporation



Our role in the Canadian retail space



Estimated Market Size

\$45.0 Billion

\$20 Billion

\$52 Billion
(receivables)

\$3.8 Billion

\$19.0 Billion

Retail Sales

\$7.2 Billion

Revenues

\$1.6 Billion

Receivables

\$3.5 Billion ⁽¹⁾

Comp Sales

7%

Retail Sales

\$900 Million

Canadian Tire participates directly in a commercial marketplace valued at close to \$140 Billion. With leadership positions in our businesses, we have considerable space ahead of us to grow.



Canadians' well-being is dependent on Global Trade

Continued success in global trading is necessary to sustain Canadians' standard of living.

Canada's ability to succeed as a trading nation is dependent upon its national supply chain infrastructure (including its limitations) to facilitate global trade.



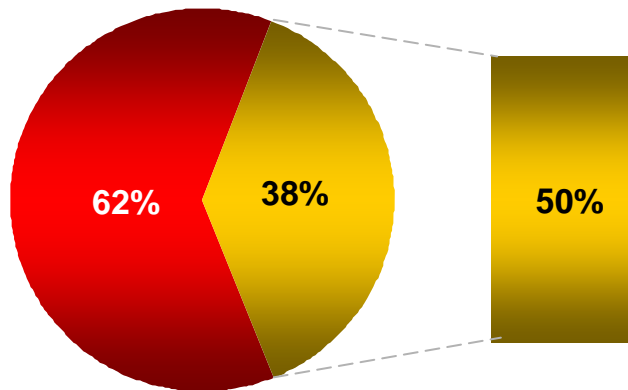
Global sourcing is a key component of Canadian Tire's 2005-2009 Strategic Plan

Our 2005-2009 Strategic Plan investments of \$1.75 to \$2 billion are placed at risk if global sourcing can not keep pace

2006 Percentage
of Products Sourced
Offshore



2009F



■ Domestic ■ Offshore

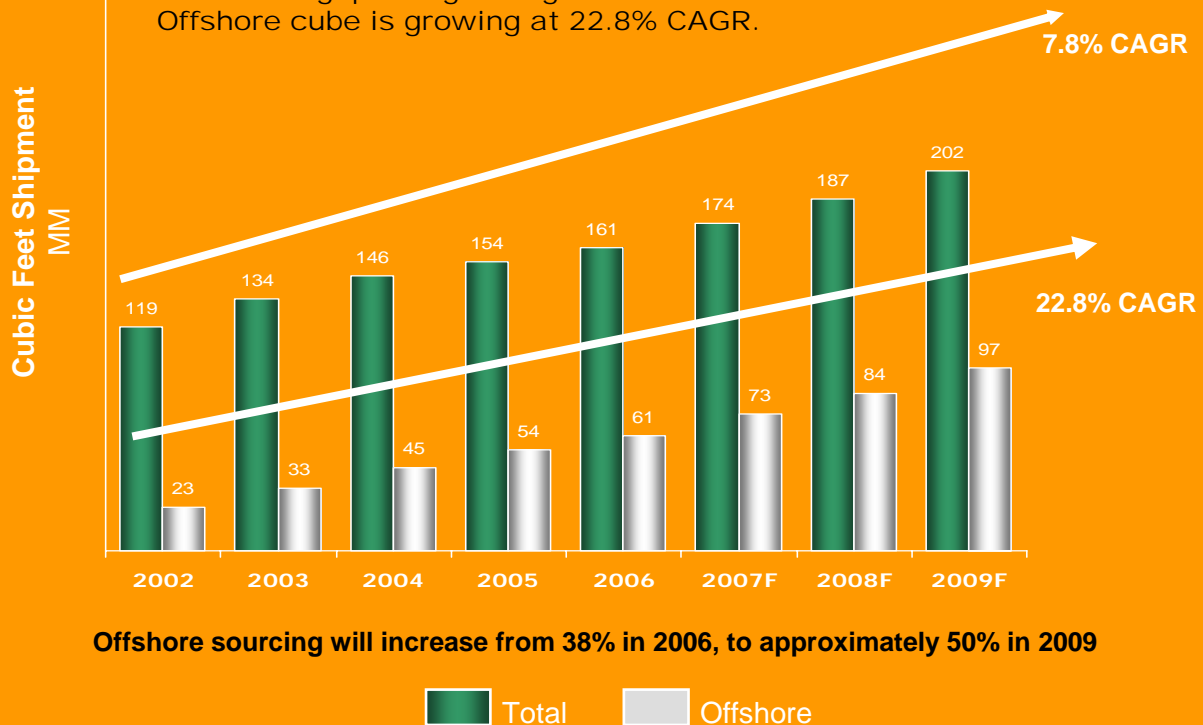
Strategic Imperatives

- ▶ Product innovation and design
- ▶ Competitive price points and competitiveness with international retailers
- ▶ Domestic scale and manufacturing capacity



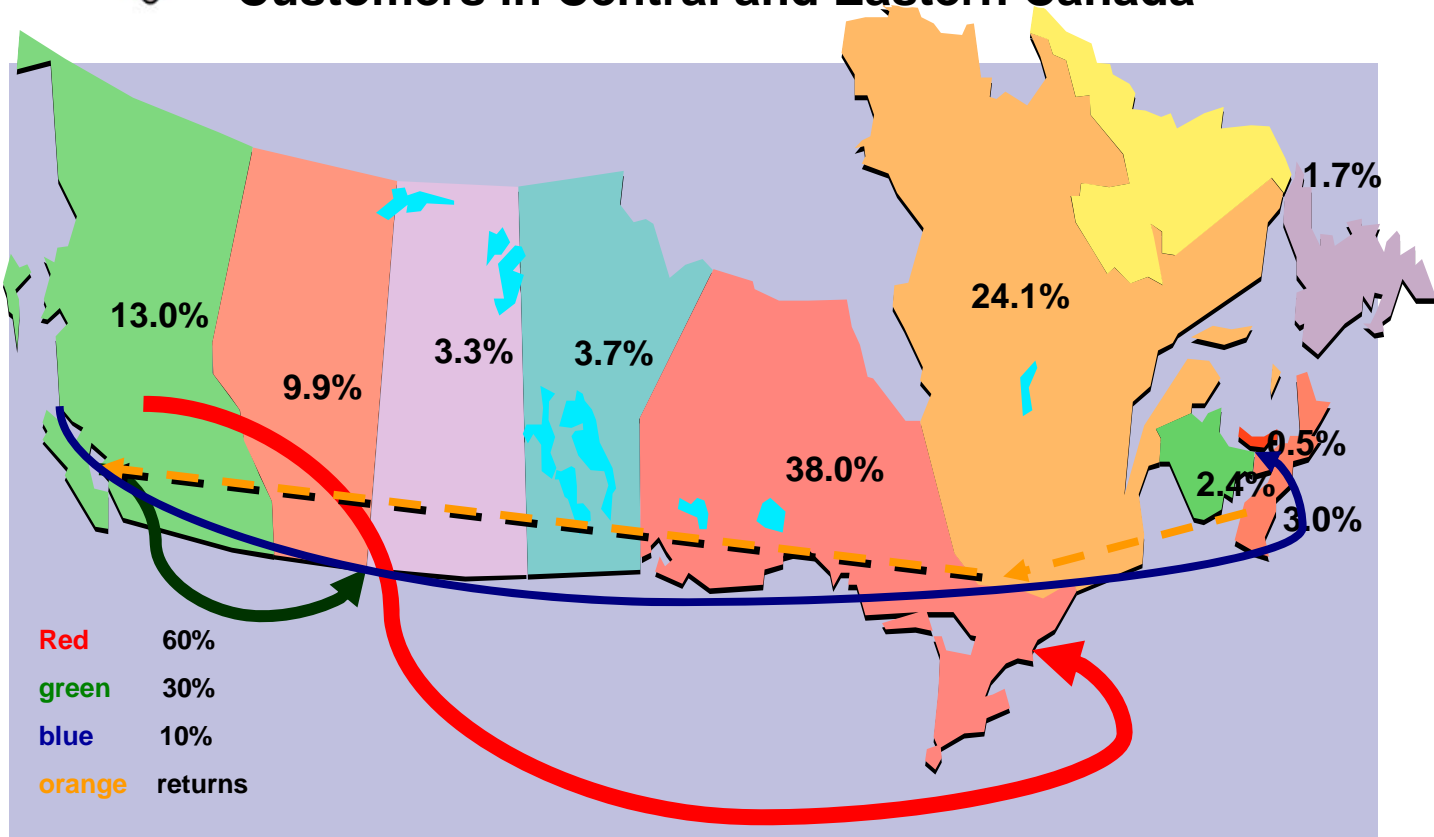
Cube throughput expected to exceed 200 million by 2009

Cube throughput is growing at 7.8% CAGR.
Offshore cube is growing at 22.8% CAGR.





About 70% of Containers arriving in BC Ports move to Customers in Central and Eastern Canada





A nation-wide Asia Gateway strategy is needed

- ▶ **Throughput:** We need to increase the “vessel to customer” national supply chain throughput capacity:
 - by getting more from existing “vessel to customer” supply chains through existing ports
 - through additional terminals at existing ports
 - through new ports e.g. Prince Rupert
- ▶ **Balance:** 70% of consumption is in Central and Eastern Canada. Relying solely on the west coast causes potential for enormous imbalance.
 - Product movement needs to be a national public policy matter, that considers both the east and west coasts.



We need to change the paradigm and think in terms of the entire order fulfillment cycle

- Since 2003, there has not been enough product sourced in Central Canada and destined to Western Canada to fill containers arriving from the West Coast for a return trip.
- Ocean carriers and the railways have the best visibility to container movement and do their best to manage imbalances.
- It is not enough to think about delivering product to the customer once.
 - We need to find a better way to manage the empties to an exporter or back to the vessel so that we can repeat the cycle.

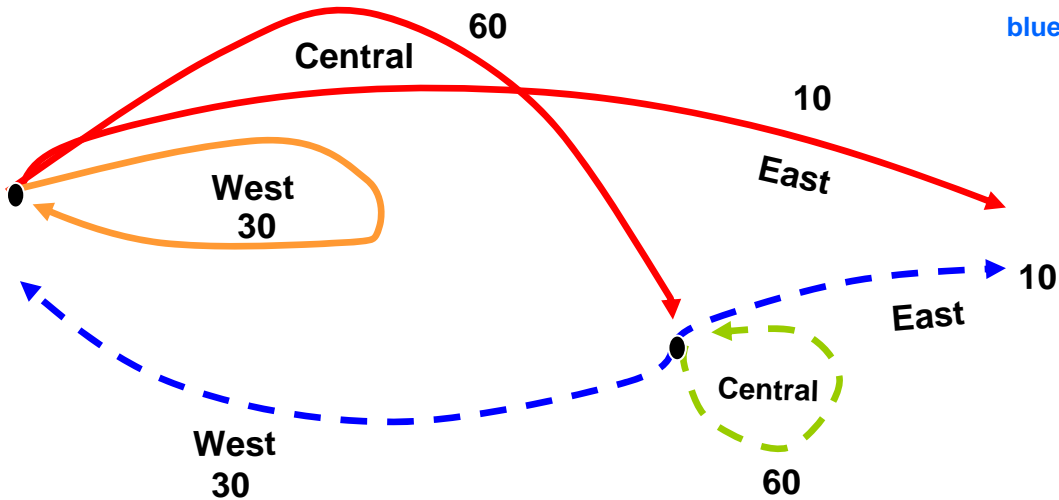


Balance is essential. If we don't use both coasts, the cost of imbalance is enormous

Distribute 200 MM cube:

- 100 MM sourced domestically and
- 100 MM sourced in Asia via British Columbia

- Domestic sourced
- Asia-sourced
- Red, orange via B.C.
- blue, green from Ontario



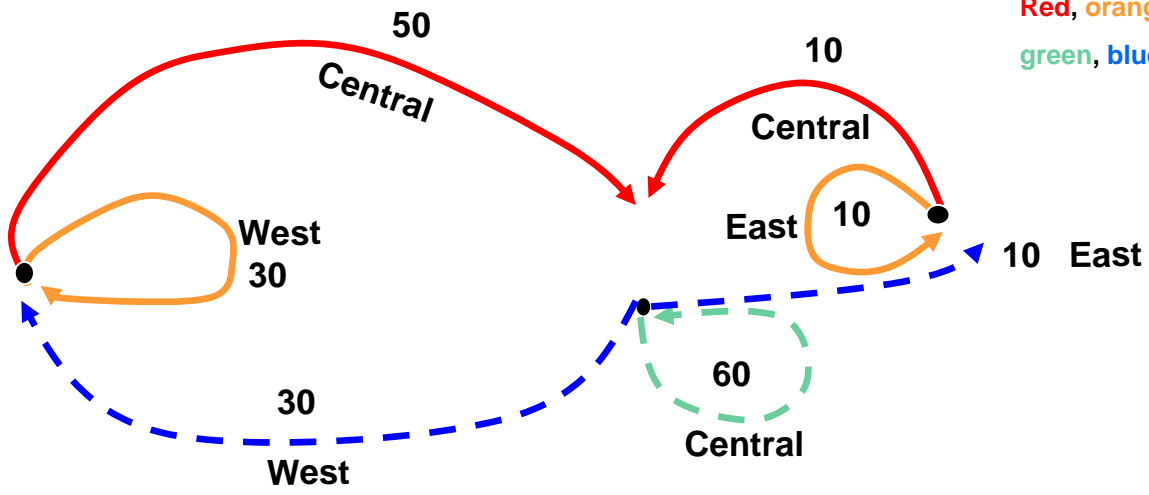
$(60 - 30) = 30 + (10 + 10) = 20 \frac{50}{200}$ imbalance; or 25%



Using the Port of Halifax mitigates the imbalance

- Distribute 200 MM cube:
- 100 MM sourced domestically,
 - 100 MM sourced in Asia;
 - 80 MM via B.C., and
 - 20 MM via Halifax

- - Domestic sourced
 — Asia-sourced
 Red, orange via B.C., N.S.
 green, blue via Ontario



$$(50 - 30) = 20 + (10 - 10) = 0 \quad \frac{20}{200} \text{ imbalance; or } 10\%$$



The time to aggressively grow the Atlantic Gateway is Now

- Unless more product is routed through the east coast, the imbalance will become larger and more expensive to manage as volumes increase.
- While future trade with India bodes extremely well for Halifax over a mid to long-term horizon, the time to grow aggressively is now.
- The Atlantic Gateway:
 - Is a logical gateway for product from China
 - Mitigates a National balance problem
 - Handles the largest vessels from the Suez
 - Has ample capacity and the potential to increase capacity



We need to accelerate the pace

- There is a clear and urgent need to increase the proportion of Asia sourced product that flows through the east coast
- Get started on some things that are sure to be needed as Asian sourcing grows:
 - Increase transload capacity (this is underway)
 - Negotiate hours of work at terminals that will be more congruent with shippers' needs
 - Review the road infrastructure between:
 - Terminals and transloads
 - Intermodal yards and transloads
 - Terminals and intermodal yards
 - Terminals, intermodal yards, transloads and provincial/national highways



We need to accelerate the pace

- ➔ Implement technology to enable easier access to terminals
- ➔ Investigate technologies that provide security screening effectively and efficiently
- ➔ Examine the availability of land adjacent to terminals, transloads or intermodal yards for use as container yards
- ➔ Familiarize stakeholders with terminal expansion possibilities
- ➔ Market the Gateway to customers who should logically flow product through the Gateway



Questions