



PortsToronto Annual General Meeting

CEO's Remarks

Geoffrey Wilson

Check Against Delivery

Good morning. On behalf of my colleagues and our Board of Directors, I would like to thank you for joining us here today at PortsToronto's Annual General Meeting. Over the next 40 minutes or so I will review business performance for 2017 and provide an update on key priorities and activities for 2018.

2017 was another strong year for PortsToronto as we moved forward on many significant initiatives and reported our tenth consecutive year of profitability and growth. Our strong financial position is important to our operations given that PortsToronto is mandated to be financially self-sufficient and self-sustaining and does not receive funding from any level of government. As such, our operational activities, infrastructure development projects, environmental initiatives and community investment program are dependent on our ability to maintain profitability, as there are no taxpayer dollars supporting any part of our business. In addition, PortsToronto pays taxes and charges on our revenues. For example, in 2017 we paid more than \$9 million to the local and federal governments, which ultimately benefits taxpayers.

In 2017, our four business units all reported strong results. Billy Bishop Toronto City Airport continued to see ongoing success in 2017 serving 2.8 million passengers, up from 2.7 million passengers in 2016. Billy Bishop Airport generated revenue of \$48.4 million in 2017, including \$21 million in revenue from Airport Improvement Fees. In 2018 passenger volumes are forecast to remain at a typical average of 3-5% anticipated growth, which is consistent with that of other Canadian airports and aligned with our "Managed Growth" strategy. This strategy reflects PortsToronto's commitment to maintaining an appropriate scale to our operations and ensuring our level of growth is deliberate and managed to strike an ongoing balance between aviation activity and community interests.

Although passenger numbers are expected to increase slightly in 2018, we do anticipate that revenue from the Airport Improvement Fee – or AIF – will decrease in 2018 as a result of our announcement earlier this year to reduce the AIF to \$15, down from \$20. The reduction in the AIF at Billy Bishop Airport is timely and due to several factors. Steady passenger growth over the last decade has led to a consistent and strong stream of AIF funds that have been reinvested into infrastructure and operations projects such as the pedestrian tunnel, the noise barrier, the Ground Run-up Enclosure and the airfield rehabilitation project. With these big projects complete, or nearing completion, and with passenger numbers continuing strong, PortsToronto is in a position to reduce the fees charged to the consumer and ensure a travel experience that is not only efficient and service oriented, but also cost effective.

The reduced AIF is also consistent with recommendations stemming from the 2017 Canada Transport Act Review which cited the need for reduced travel costs, increased connectivity and improved service for Canadian travellers as an important means of keeping the sector healthy and competitive.

Importantly, the reduction in cost comes at a time when the airport is gearing up to introduce significant improvements such as the upgrades to the passenger terminal currently underway by terminal owners Nieuport Aviation Partners. These upgrades include new and larger lounge facilities; increased retail, food and beverage services; as well as an 11th gate to further enhance the efficiency offered to passengers. The upgraded terminal will also be fitted with a

preclearance facility in anticipation of successful negotiations to bring U.S. Customs Border Protection services to Billy Bishop Airport.

As upgrades are well underway in the terminal, PortsToronto is also in its final phase of modernizing the airfield and will conclude the final year of a three-year airfield rehabilitation project to improve the runways, taxiways, lighting and related infrastructure. This has included the construction of the Ground Run-up Enclosure which opened in April 2017 and has been very successful in serving its purpose – specifically to dampen the noise associated with engine run-ups. Although mandated by Transport Canada for safety reasons, engine run-ups have regularly been cited as one of the main irritants of the airport by the surrounding community. Only the second of its kind in Canada, the GRE was fully paid for through the AIF and we are very pleased with its performance and impact to date. In fact, we have received only one noise complaint associated with engine run-ups since the structure was put into operation 14 months ago.

Working to decrease noise is one of our key priorities at the airport. Efforts such as investing heavily in ground engine run-up noise dampening infrastructure and procedures, installing new muffling equipment on our ferry, promoting walking and bicycle access to the airport, and realizing the potential of infrastructure investments such as the pedestrian tunnel are key ways that we worked to mitigate noise. It seems to be working as our overall noise complaints have decreased by 43% since 2013. We will never be able to eliminate all noise from the airport, but we will continue to look for innovative ways to mitigate the impact of noise.

A good example of this is the barging operation that has taken place over the last two summers as part of our airfield rehabilitation program. The neighbourhood was understandably concerned at the potential for truck traffic throughout the nights and it became incumbent upon us to come up with a better solution. And we found it. We barged everything we needed for a given evening's work – asphalt, vehicles, equipment – from the port, across the harbour on a barge that docked to the east of the work site. We would like to thank our community members on the Community Liaison Committee for working with us to identify a better way. In fact, this barging approach was recognized by Airport Council International as being part of the best Noise Mitigation program in North America in 2017.

This is actually one of many awards won by the airport in 2017. The airport also won a series of passenger-driven awards including being named one of North America's top regional airports by both Skytrax World Airport Awards and Airports Council International's Airport Service Quality Awards. This is in addition to being ranked sixth in a Top 10 list of global airports by Condé Nast Traveler's Readers' Choice Awards. Billy Bishop Airport is now firmly established and recognized as one of the best airport facilities in the world and we are immensely proud of that achievement.

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Moving from air to sea, 2017 was also a significant year for the Port of Toronto and terminal operations. The Port of Toronto recorded its strongest year in more than a decade in terms of cargo and cruise ship operations. Approximately 2.2 million metric tonnes of cargo from around

the world was delivered directly into the heart of the city last year through the port with more than 201 vessels calling. Our port and terminal activities reported operating income from all sources of \$0.6 million, down from \$1.2 million the year prior due to several non-routine maintenance and repair items that resulted in a decrease in net income. This included impacts of the high-water that the Toronto Harbour and most of the seaway experienced in spring 2017 that affected operations.

However, with the addition of new businesses at PortsToronto's port property, including new film production leases with Cinespace, it is expected that there will be an increase in profitability going forward.

We made the Cinespace announcement in March of this year. Cinespace – best known for a little film called *The Shape of Water* and a series called *A Handmaid's Tale* – is currently undertaking construction on Terminal 51 and parts of the Cruise Ship Terminal, in order to reconfigure the buildings into production studios. Cinespace will occupy these buildings under long-term lease from PortsToronto.

In 2017, PortsToronto – and several other organizations – was approached by Mayor John Tory and others at the City of Toronto to identify land and space that could be utilized by Cinespace, which was moving from its Eastern Avenue facility. After careful study of current operations and future needs for the port, it was confirmed that PortsToronto's marine terminal property could accommodate new studio space in some of its existing buildings, while still effectively managing its growing marine operations and increased cruise ship activity.

PortsToronto is pleased to support Cinespace, a successful Canadian company, a burgeoning local film industry, and the City of Toronto's vision for the Port Lands as an important economic district. This is a win/win as full utilization of property holdings is a priority for PortsToronto; and supporting this important economic sector, and the jobs it creates, is a priority for the City of Toronto.

But this is not the only way that the marine port benefits the City of Toronto. Although by no means the largest port in Canada, the port plays an important role in the national transportation chain and in supporting the largest economy in Canada. Not to mention the role it plays in our daily lives providing the sugar for our coffee, the salt for our roads, and the raw materials for our booming construction industry.

At only 52 acres, PortsToronto's marine terminal operations take up only a small portion of the port lands area. This is an important point. Put simply, within the 900-plus acres of the Toronto port lands area, there are several private port user operations within the approximately 170 acres dedicated to maritime port usage. This 170 acres makes up the port within the port lands area. We operate our marine and passenger terminal operations on the 52-acre plot at the southern end of Cherry Street at Unwin Avenue, within that larger 170 acres. As such our owned lands comprise approximately one-third of the area dedicated to port uses for the city and an even smaller percentage of the port lands overall. The port doesn't take up a lot of land, but it's enough to get the job done in terms of facilitating trade and tourism for the city.

It's also important to keep in mind that the port has an important role to play in environmental sustainability, given that the cargo delivered to the Port of Toronto last year took the equivalent of approximately 54,000, 40-tonne trucks off Toronto's already congested roads and highways. Further, ship transport is significantly more fuel efficient than trucks, using one-eighth as much fuel to carry the same amount of cargo.

In addition to traditional marine cargo delivered to the port, 16 cruise ships carrying a total of approximately 5,400 passengers visited PortsToronto's Cruise Ship Terminal at the foot of Cherry Street in 2017. This number is expected to increase to 21 ships in 2018. These passengers often stay in Toronto for several nights and frequent Toronto's restaurants and attractions, providing an additional boost to tourism in the city. In fact, last year Toronto had its best year yet attracting 43.7 million tourists to the city.

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Transitioning from large ships to personal vessels, the Outer Harbour Marina experienced another solid year with income of \$1.5 million on revenues of \$4.2 million in 2017. We continued to build on our program of environmental best practices, which has earned the Outer Harbour Marina a "5 Green Anchor Gold" rating from the Ontario Marine Operators Clean Marine program for the sixth consecutive year. The marina is popular among boaters, with negligible turnover and a customer satisfaction rating of 94 per cent. The OHM has a yearly occupancy rate of approximately 85 per cent.

Our fourth business unit pertains to real estate and property holdings and recorded operating income of \$0.6 million on revenues of \$1 million. I should note that this number does not include the proceeds of 30 Bay Street. This business unit includes Pier 6 at the foot of York, 5 Queen's Quay and various water lots throughout the harbour.

This unit had also included the 30 Bay Street property which, in May 2017, was sold to Oxford Properties Group and Canada Pension Plan Investment Board, who each own a 50 per cent stake. The historic Toronto Harbour Commission building, which currently serves as headquarters for PortsToronto and is located on the site along with a surface parking lot, will be restored and maintained as part of the plan for the site.

When PortsToronto announced the sale last May we indicated that the proceeds from this sale would go towards the retirement of debt, the repair of aging dock walls, building "last mile" road and rail access in the Port area, improving navigation in areas of the harbour, and supporting our corporate social responsibility program.

I am pleased to report that to date we have confirmed three projects associated with the dock walls in the harbour and continue to work on two projects associated with "last mile" access as pertains to modernizing the rail spur into the port lands and long-term repair of the Ship Channel Bridge. In the latter two cases we had hoped to secure funding through the National Trade Corridor Fund and submitted a joint application with the City of Toronto to combine this federal financing with our own available funds. Unfortunately, we did not receive financing this time

around from the National Trade Corridor Fund, but we will continue to work with the City to bring these projects to fruition.

We are also investing in upgrading the sewage treatment facility which currently services the marine terminals at Cherry and Unwin to ensure the infrastructure can properly service the area.

In the area of navigation within the harbour, earlier this year we invested in replacing the yellow, red and green self-contained navigation lights in the harbour, as well as the red and green can-style buoys.

With regard to dock walls we have three projects that will progress in 2018 – one will be paid through the AIF and remaining two will be paid through the proceeds of the sale of 30 Bay Street.

Dock walls and their ownership are a source of some confusion within Toronto. The fact is that PortsToronto only owns 17 per cent of the dock walls in the harbour. The remaining dock walls are owned by the City of Toronto, Waterfront Toronto, or Toronto Port Lands Company (TPLC).

Further, of the 17 per cent of the dock walls owned by PortsToronto, some of these walls are leased to other organizations. For example, the east side of Yonge Street Slip dock walls are on long-term lease to Waterfront Toronto (north end) and the City of Toronto (south end and corner). In these cases work or maintenance obligations on the walls fall contractually to other parties. I can confirm that the dock walls that PortsToronto does own are very well maintained. These would include the dock walls around the airport and marine port.

However, in recent months we have looked at where we could support others in the repair of dock walls in the spirit of maintaining a safe and attractive harbour. As such there are three projects that we will be working on in the coming months. The first is the dock wall near Ireland Park. This dock wall is owned by the City of Toronto, however the ferry to Billy Bishop Airport operates in close proximity so it was appropriate, as a neighbour and a partner, for us to contribute. As such, PortsToronto has committed \$500,000 to be paid through AIF, and that will be paired with municipal funding, to repair and restore the dock wall around Ireland Park.

The second project is the crumbling pier near the East Gap. The fact is that PortsToronto does not own this pier. It was built in the 1890s by Public Works and ownership remains with the federal government. However, we agree that the crumbling pier is a hazard and an eye-sore so in April of this year we confirmed that we would remove the rubble in the spirit of maintaining a safe and navigable harbour. We also confirmed that we would be interested in working with the City of Toronto and the community to identify what, if anything, should go in its place. Perhaps it's a promenade, or a look-out area back to the city. Whatever it is, PortsToronto is keen to be part of the consultation and perhaps part of the funding solution.

The third project is one that I am announcing today for the first time. For years the south dock wall along the Western Gap has been maintained as an industrial, admittedly visually unappealing, piece of infrastructure. It wasn't a particularly nice spot to walk along, or view from the north wall or by boat. For the last year we have been working on a plan to repair the wall and make it into a welcoming public space that can be enjoyed. The design plan will provide for

a visually appealing buffer area in front of parked vehicles and buildings associated with the airport.

The work will be completed in phases with the first phase dedicated to restoring the structural integrity of the wall. From there we will layer design elements such as boardwalk decking, plants and seating to make this a place people can visit or enjoy. People wishing to visit can take the ferry or tunnel, free of charge, and sit or stroll along the dock wall to enjoy some of the best views of the city. Work has begun on the first phase and we will release updates on the progress of the area enhancement as the project proceeds. We will also ensure that we keep the City of Toronto apprised of our plans to ensure alignment with what will be taking place across the channel as part of the exciting Bathurst Quay Neighbourhood Plan.

In addition to these projects, PortsToronto will also continue to invest in our sustainability program to ensure we conduct our operations in an environmentally responsible manner. This past February we released our third-annual Sustainability Report which provides an overview of our efforts and reports on areas such as Greenhouse-Gas Emissions (GHG), energy usage, and waste management across all operations.

It also includes the initiatives we are undertaking to reduce our carbon footprint such as building a habitat for fish, migratory birds and other wildlife on the Leslie Street Spit, deploying hybrid vehicles for our service fleet, using biodiesel in our ferries, and purchasing 100 per cent of our power needs from renewable sources such as wind and hydro through Bullfrog Power. PortsToronto is one of only a few organizations in Canada to use renewable energy for its entire operations, and the only airport and port authority in Canada to do so.

Part of our sustainability framework is our community investment program which has been in place since 2009 and, since this time, we have invested more than \$10 million in community and environmental initiatives. In 2017, PortsToronto supported many worthy community organizations such as the Disabled Sailing Association, Ireland Park Foundation, Lake Ontario Waterkeepers, and Evergreen.

We have also supported almost every event and festival on the waterfront to help encourage people to discover and explore the southern edge of our city. This includes the Redpath Waterfront Festival, Sugar Shack and The Bentway Conservancy, which is our newest partnership and one that we believe will do amazing things in the years ahead.

We also are also a proud participant in the City of Toronto's Doors Open event and last month welcomed a record-setting 24,000 people on the day we participated. Offering behind-the-scenes access to many of our facilities and operations, the event provided an excellent opportunity to connect with the community and show off the people and infrastructure that make Billy Bishop a world-class airport.

Another event that brings people to the waterfront, and of which we are particularly proud, is Sail-in Cinema which this year will celebrate its eighth anniversary. The event take place each August and invites people to come – by land or by boat – to Sugar Beach to watch great films under the stars. This award-winning event attracted more than 11,000 people last year and

2018 promises to be even better with new technology employed to make the viewing experience unforgettable.

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With 2017 now behind us, I would like to take a moment to look forward to 2018 and some of the important work that we will undertake. I have already mentioned a few key initiatives such as upgrading the passengers terminal which is underway by Nieuport Aviation Partners, completing the airfield rehabilitation project, and undertaking dock wall repairs in a few key areas.

Implementing U.S. Preclearance at Billy Bishop Airport is another initiative we will be working on in 2018. With Bill C-23 now law, preclearance negotiations between Canada and U.S. Customs and Border Protection are underway with a view to bringing preclearance to Billy Bishop Airport, which is the 6th busiest airport in Canada servicing the U.S. The passenger terminal upgrade includes construction of a preclearance facility and we hope to introduce the service to passengers in the next 12-18 months. Preclearance fits into our vision for the airport and also the vision for aviation overall in the GTA and southern Ontario.

Billy Bishop Airport has become an increasingly important asset to the City of Toronto, and is valued as an efficient, convenient point of access. In 2017 the airport generated more than \$470 million in Gross Domestic Product, paid \$280 million in wages, and was responsible for more than 4,740 indirect and 2,080 direct jobs. But its impact goes even further.

In the coming years the importance of Billy Bishop Airport will grow as Toronto's economy grows and demand for air travel increases. By 2043 it is expected that Southern Ontario will be home to 15.5 million people, and the provincial GDP will be greater than \$1 trillion.

Meanwhile, a conservative estimate of air travel demand over the next two decades by the GTAA puts Toronto Pearson Airport at roughly 65 million passengers per year by the mid-2030s. By 2043 the regional air travel volume is expected to reach 110 million passengers annually and Pearson will reach capacity. The current regional air travel capacity across all airports in Southern Ontario is estimated to be around 70 million passengers per year, even taking into account already planned capacity investments at Toronto Pearson.

This growth will necessitate further specialization and collaboration among airports to ensure that the demand can be met and that southern Ontario achieves its economic potential. Billy Bishop Airport already specializes in short-haul, regional air travel which complements Pearson's goal of focusing its resources on long-haul air travel.

To support the future of aviation, and as part of our regular strategic planning, Billy Bishop Airport has begun an update of its 2012 Master Plan. The primary purpose of an airport Master Plan is to establish a development concept and vision for the airport that examines priorities and options for the airport's operation and development over an extended period of time, while at the same time allowing the airport to avail itself of new opportunities to serve the needs of the community and operators. In our case, the Master Plan will be undertaken within the parameters of our existing Tripartite Agreement thus looking at only permissible opportunities.

To date 40 meetings with neighbourhood associations, community groups, airport stakeholders, government agencies, First Nations communities and others have taken place. Our first public meeting was held February 7, and our next meeting will take place on June 25 in this very conference facility. We have also launched a website where people can get information and ask questions of the process and the subject matter.

The Master Plan will be released in early 2019 and will report on such areas as the long-term vision for the airport, passenger demand, private and business aviation, continuing Medevac operations, commercial slot development and route additions, as well as mitigation recommendations for noise and traffic management, wildlife management, ground transportation, emergency services, security and public safety, infrastructure, and environmental sustainability.

I would now like to invite Alan Paul, Senior Vice President and Chief Financial Officer of PortsToronto, to take the stage and present our 2017 financial results.

<Alan takes the stage and presents financials>

<Alan concludes. Geoff takes the stage once again>

Thank you Alan. In closing, I would like to take this opportunity to recognize and thank several groups that have played such an integral role in our success this year. First, I would like to thank our stakeholders and community partners whose co-operation and feedback have provided us with the insight and understanding to operate effectively within our community. I would like to thank our government partners, especially members of Toronto City Staff and in particular the Waterfront Secretariat team with whom we have worked so closely and effectively in the past year. As well as Minister Garneau's office and Transport Canada for their support of PortsToronto's efforts to build and constantly improve our transportation infrastructure.

I would also like to thank the staff and management team at PortsToronto. This is an incredibly dedicated team of people whose commitment, expertise, integrity, and professionalism have driven an exceptional level of achievements in 2017. And our board members, who are engaged and supportive in all matters of our organization and provide counsel and direction that have steered our accomplishments in 2017. In particular, I would like to thank our Chairman, Robert Poirier for his unyielding commitment to our organization and outstanding expertise, dedication and support.

In the year ahead PortsToronto will continue to work to fulfill its mandate and achieve the goals it has set for itself in the areas of business, community investment, environmental stewardship and city-building. At PortsToronto we adhere to certain core values including our sense of community and our desire to maintain balance on the waterfront. As such we are committed to addressing community concerns such as noise and traffic... we are committed to making choices that will reduce our impact on the environment... and we are committed to developing infrastructure that helps people move as seamlessly as possible with as little disruption to the surrounding area as possible.

We will continue to conduct ourselves in the year ahead with transparency and in the spirit of collaboration and communication. We look forward to what the rest of 2018 holds for us and the initiatives we will undertake to make our airport, port, marina and real estate holdings the best they can be.

With that I would now like to open the floor to questions.

<Q&A Period facilitated by LURA Consulting>

I would like to thank you again for coming to our meeting and remind you that this is not the only opportunity to have your questions answered.

Having just had a meeting on May 30, the Community Liaison Committee will next meet on September 25. These meetings are, of course, open to the public. You can also submit questions through our communications@portstoronto.com mailbox and our website is updated daily with news and information as are our social media platforms.

There is also the Master Plan public meeting which has been announced for June 25 and will take place here at the Westin Hotel and Conference Centre.

Thank you again for coming. Please enjoy the rest of your day.