



PortsToronto Annual General Meeting

Geoffrey Wilson, Chief Executive Officer

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Check Against Delivery

Good morning. On behalf of my colleagues, Senior Management 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 our business performance for 2018 and provide an update on key priorities and activities for 2019.

I would like to say at the outset that this is a business meeting intended to report on the economic and operational performance of all of PortsToronto's business units in 2018. This includes the marine operations associated with the Port of Toronto, the Outer Harbour Marina and Billy Bishop Toronto City Airport. The latter business makes up the majority of our revenue and will therefore be a key focus of today's presentation.

As you may know, Billy Bishop Airport is in the final phase of delivering an updated Master Plan and that plan is currently in the draft stage as our stakeholders and the general public reviews the document and submits comments. Although you are of course free to ask questions about the airport during the Q&A session of today's meeting, any comments or questions pertaining to the Master Plan should still be formally submitted through the process outlined at the June 12 Master Plan public meeting. To be clear, your questions today will be addressed, but will not be captured for the purposes of the Master Plan given that there is a separate and distinct process in place specific to the Master Plan. Today's Annual General Meeting is not intended to be a forum for Master Plan discussion.

With that said, I would now like to commence with the AGM and report that 2018 was another strong year for PortsToronto by all measures. Financially we reported our 11th consecutive year of profitability and growth. Operationally we successfully completed many significant projects that will ensure our businesses continue to prosper and serve the needs of Toronto for many years to come.

Strong financial performance is important to any organization and is one of the key measures of its success. For PortsToronto our strong financial position is particularly 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.

PortsToronto's profitability enables our reinvestment back into infrastructure and the community. As such, our operational activities, infrastructure development projects, environmental initiatives and community investment programs are all entirely dependent on our ability to maintain profitability, as there are no taxpayer dollars supporting any part of our business.

Another benefit of strong financial performance is monies paid by PortsToronto in the form of taxes and charges such as Payments in Lieu of Taxes – or PILTs – to the City of Toronto and the Gross Revenue Charge dividend paid to the Federal Government. In 2018, PortsToronto paid \$9 million to the local and federal governments in the form of PILTs, property taxes and the Gross Revenue Charge – payments which are paid to government, reinvested, and ultimately used to benefit Canadians.

In 2018, our four business units all reported profitable results. Billy Bishop Toronto City Airport continued to see ongoing success in 2018 serving 2.8 million passengers and generating revenue of \$43.7 million, including \$17.6 million in revenue from Airport Improvement Fees. In 2019 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.

As forecast in April 2018, revenue from the Airport Improvement Fee – or AIF – decreased in 2018 as a result of our decision to reduce the AIF to \$15, down from \$20. The reduction in the AIF at Billy Bishop Airport was strategic and appropriate for a variety of reasons and we are proud to have taken the lead in ensuring that the AIF is aligned with our current business needs and, most important, the needs of our passengers. Steady passenger growth over the last decade has led to a consistent 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, and with passenger numbers continuing strong, PortsToronto was 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 2016 Canada Transportation 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 came during a year when the airport was making significant investments in infrastructure that would further improve the travel experience and ensure the future success of the airport.

PortsToronto is looking to build on this commitment to improved connectivity and reduced costs by pursuing U.S. Customs Border Protection preclearance at Billy Bishop Airport. US CBP will further support the outcomes of the Transportation Act Review by increasing connectivity, opening up new markets and facilitating trade and tourism between Canada and U.S. However, consistent with measures such as our decision to reduce AIF to ensure a cost-effective travel experience, US CBP must be implemented in a manner that does not pass additional costs to the passenger. An economic model must be negotiated that shares the costs and does not put the burden on the passenger. The question is simple: Why should a passenger pay more to fly from Billy Bishop Airport than any other airport, including Pearson?

For its part PortsToronto remains optimistic that a solution can be identified with the help of the federal government, and that US CBP can be implemented at Billy Bishop Airport and other qualified Canadian airports in short order. As the ninth busiest Canadian airport and the 6th busiest with service to the U.S., Billy Bishop Airport is in a good position to be among the first to implement US CBP as it already has the space earmarked for a facility, as part of the construction project to upgrade the passenger terminal at the airport – a project that was successfully completed in November of last year.

Another successful project that culminated in the fall of last year was PortsToronto's three-year airfield rehabilitation project. The project to modernize the airfield and improve the runways, taxiways, lighting and related infrastructure was a tremendous success by all measures. The project also included innovative measures to mitigate noise and impacts associated with the overnight construction which included our all-water barging supply operation across the harbour to eliminate truck traffic in the community. This barging operation was one of many elements that set this project apart and was one of the reasons the airfield rehabilitation won two environmental achievement awards from Airport Council International – one in noise mitigation and one for the overall innovation demonstrated by the project. These were just two of the many awards we won in 2018 and we are immensely proud that Billy Bishop Airport is now firmly established and recognized as one of the best airport facilities of its size in the world.

Another industry-leading component of the airfield project was 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 post-maintenance engine run-ups. 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 on reducing noise. In fact, we did not receive a single complaint regarding engine run-ups in 2018. This compared to past years where we would receive anywhere from 30 to 160 complaints per year related to engine run-ups.

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 have worked to mitigate noise. It seems to be working as our overall noise complaints have decreased by 43% since 2013. In 2018 overall noise complaints decreased by 19%. 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.

This includes our newest exciting project in noise mitigation – converting the Marilyn Bell I passenger ferry to electric power. With the GRE in place ground run-ups are no longer a key source of noise complaints at the airport. In fact, we didn't receive a single noise complaint for ground engine run-ups in 2018. Now the ferry is our priority. So we are currently working on a plan to make the ferry clean, green and quiet. In 2018 we converted the Marilyn Bell ferry to bio-diesel which had a positive environmental impact in terms of air quality but had no effect on noise. By taking the conversion to the next step and retrofitting the ferry to lithium ion-powered electric energy we will eliminate both noise and pollution emissions from the ferry. This will be the first passenger ferry of its kind in Canada and we are proud of the effort and hope to have the conversion completed by next year.

Of course, the cost of the ferry conversion – like so many costs associated with infrastructure and upgrades at the airport – will be paid for out of the AIF and not by taxpayers.

Now, moving from air to sea, 2018 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 170 vessels calling. Our port and terminal activities reported operating income from all sources of \$3.6 million, up significantly from \$1.1 million the year prior.

2018 was also a significant year with the addition of new businesses at PortsToronto's marine terminal property, including new film production leases with Cinespace. In 2017, PortsToronto was approached by Mayor John Tory and others at the City of Toronto to identify land and space that could be utilized for the film industry. 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.

In March of 2018 PortsToronto announced that Cinespace would be leasing Marine Terminal 51 and a portion of the Cruise Ship Terminal to develop film and television studios. With productions such as *A Handmaid's Tale* and *The Shape of Water* to its credit, Cinespace is one of the foremost production houses in North America and is a key driver of the film and television industry in Toronto. This is further evidenced by the announcement earlier this year that Netflix would be establishing a production hub in the leased space, bringing even more jobs and opportunity to the industry and city.

Importantly, Cinespace's film and television production activities do not affect or displace industrial port operations and cruise ship activities on PortsToronto's property. With 2018 being one of its best years in more than a decade, the Port of Toronto has effectively re-configured its operations and land use to accommodate this additional business, which is good for the city and economy.

In fact, marine cargo handled at the Port of Toronto generates \$377.7 million in economic activity and 1,566 jobs in Ontario. Now consider that of these 1,566 jobs, 482 jobs are directly generated by the marine cargo and vessel activity at the marine terminals at the Port of Toronto. Now combine these figures with the fact that Toronto's film sector is a \$2 billion industry, supporting over 30,000 jobs and it becomes clear that the Port of Toronto is an important employment district for the City of Toronto.

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. 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, 17 cruise ships carrying a total of approximately 6,000 passengers visited PortsToronto's Cruise Ship Terminal at the foot of Cherry Street in 2018. This summer that number will double as we expect 35 ships in 2019. 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.

Transitioning from large ships to personal vessels, the Outer Harbour Marina experienced another solid year with income of \$1.9 million on revenues of \$4.5 million in 2018. 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 seventh 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 \$2.5 million up from \$1.3 million the year prior. I should note that this number includes investment proceeds in general and those related to the sale of 30 Bay Street – our former head office that was sold to Oxford Properties in 2017 – and properties such as Pier 6 at the foot of York, 5 Queen's Quay and various water lot leases throughout the harbour.

As I mentioned at the outset, our profitability is important not only as a key indicator of our organization's viability, but also as a catalyst to enable reinvestment back into the community in the form of a sustainability program that includes environmental stewardship and community investment.

This past February we released PortsToronto's fourth-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. The report has already been received the top award from the Canadian Public Relations Society for Excellence in an Annual Report. In April of this year we also released the Sustainability Report for Billy Bishop Airport. These reports can be found online, and we also have a few copies available at the back of the room.

Within these reports you will find 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, 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 also our community investment program which has been in place since 2009 and represents more than \$11 million in community and environmental initiatives. In 2018, PortsToronto supported many worthy community organizations such as the Waterfront Neighbourhood Centre, Ireland Park Foundation, Lake Ontario Waterkeeper, 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.

We also are also a proud participant in the City of Toronto's Doors Open event and last month welcomed thousands of people to come 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 makes Billy Bishop a world-class airport.

With 2018 now behind us, I would like to take a moment to look forward to 2019 and some of the important work that we will undertake.

Implementing U.S. Preclearance at Billy Bishop Airport is a key priority for us in 2019 as it supports the federal government's objectives for trade and tourism between Canada and the U.S. It will also be an important service enhancement for our passengers and open up new markets for our airlines and benefit our passengers.

Billy Bishop Airport is an important asset to the City of Toronto, and is valued as an efficient, convenient point of access. The airport generates 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 urban 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.

In 2019 we are also looking forward to working with the City of Toronto on the first phase of the Bathurst Quay Neighbourhood Plan, continue efforts to optimize our 52-acre property within the Port of Toronto, work with Waterfront Toronto to support their ongoing development associated with Villiers Island, construct a youth rowing facility at the Outer Harbour Marina and deliver our updated Master Plan. The last few years has represented significant investment at the airport and we now look forward to make investments in other areas of our business in the spirit of city building and partnership.

I would now like to invite Alan Paul, Senior Vice President and Chief Financial Officer of PortsToronto, to take the stage and present our 2018 financial results.

<Alan Paul 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 City of Toronto Staff and in particular the Waterfront Secretariat team with whom we have worked so closely and effectively in the past year. As well as Transport Canada for their support of PortsToronto's efforts to build and constantly improve our transportation infrastructure. I would also like to thank Waterfront Toronto and the Mississaugas of the Credit First Nations for a year of collaboration and partnership on a variety of initiatives.

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 2018. 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 particular, I would like to thank our Chairman, Robert Poirier for his commitment to our organization and outstanding expertise, dedication, leadership, 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 with the highest principles of good governance in the year ahead with transparency and in the spirit of collaboration and communication with our partners and stakeholders. We look forward to what the rest of 2019 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 had its last meeting on May 1, 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@porttoronto.com mailbox and our website is updated daily with news and information as are our social media platforms.

With regard to the Airport Master Plan, we will close the 30-day comment period on July 14. Following this date all comments will be considered and the draft will be finalized. The final Master Plan will be released in August of this year and will be posted to our website.

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

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