



**PortsToronto Annual General Meeting**

**CEO's Remarks**

**Geoffrey Wilson**

**May 30, 2017**

Good morning. On behalf of my colleagues and members of 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 2016 and provide an update on key priorities and activities for 2017.

2016 was another strong year for PortsToronto as we moved forward on many significant initiatives and reported our ninth 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. Our revenues from operations fund our business and community investment.

Above and beyond our financial success, 2016 was an exceptional year for achievements that benefit the city and ensure the long-term viability of our organization. Everything from successfully completing year-one of a three-year airfield rehabilitation project to hosting our first Doors Open event at the airport to releasing our second-annual sustainability report made 2016 a year to be proud of.

We were also incredibly proud to be the recipient of numerous awards in 2016 including major accolades for Billy Bishop Airport that included:

- Being awarded the *9th Best Regional Airport in North America*, and *9th Best Airport Globally* by Skytrax;
- Being recognized by Airports Council International for having the *Best Airport in North America* and tying for the *2nd Best Airport in the World*; and,
- Being ranked the *4th Best Airport in the World* by Condé Nast Traveler in the 2016 Readers' Choice Awards.

And the awards continue to come in 2017 with the airport once again being named a top airport in North America and the world by Skytrax and Airport Council International. In 2017, we also won the Environmental Achievement award from Airports Council International for our Noise Mitigation program.

Underpinning these successes was the fact that our four business units all reported strong results last year. Billy Bishop Toronto City Airport continued to see ongoing success in 2016 serving more than 2.7 million passengers, up from 2.5 million passengers in 2015. Billy Bishop Airport generated revenue of \$47.4 million and operating income of \$16.7 million, which includes Airport Improvement Fees. These numbers are expected to remain relatively stable in 2017, with passenger volumes 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.

It should also be noted that less than 50 per cent of aircraft movements at Billy Bishop Airport are Q400 commercial operations, with the remaining traffic being that of general aviation, flight schools and Medevac operations. This has been the case since 2012.

PortsToronto has committed to maintaining an appropriate scale to our operations and our level of growth is deliberate and managed to ensure an ongoing balance between aviation activity and community interests.

Ensuring this balance is the motivation behind our 2016 Annual Noise Report which we released in February of this year. This document is a compilation of all noise data and complaints submitted to the airport's Noise Management Office over the course of 2016. I am pleased to report that overall complaints decreased by 38 per cent last year, going from 386 complaints in 2015 to 236 complaints in 2016. Complaints related to the ferry and mainland operations declined by a significant 89 per cent, going from 26 complaints in 2015 to just three complaints in 2016.

Of particular note is the fact that the number of complaints decreased at a time when the airport was undertaking a significant airfield rehabilitation, which required the resurfacing of the main runway during the overnight hours when the airfield was closed to commercial traffic. The PortsToronto team and the contractors that were hired went to painstaking efforts to ensure the surrounding community was not disturbed by the construction project that went from June to December last year and those efforts paid off.

Construction projects aside, the overall reduction in complaints can be attributed to efforts to work with the community, private and general aviation operators, and the airport's commercial airlines to develop infrastructure and policies aimed at reducing and mitigating the airport's noise impact on the surrounding community.

Efforts such as implementing ground run-up 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 in 2016.

In 2017 these efforts will continue in earnest, most notably as we put into use our newly constructed Ground Run-up Enclosure – or GRE. The GRE is a three-sided, open-top facility that accommodates commercial aircraft and is designed to dampen the noise associated with high-power aircraft engine ground run-up operations. These engine run-ups have been cited by the community as a primary source of irritation, prompting PortsToronto to commence construction of the facility in fall 2016. The GRE was constructed at a cost of \$9 million – paid for by PortsToronto and not taxpayers – and will significantly reduce the acoustic impact of engine run-ups on the surrounding community. Interestingly, this is only the second GRE in Canada.

We will also continue to encourage passengers to use the airport shuttle, transit or other forms of transportation to get to and from the airport to reduce the noise and congestion generated by car traffic. This includes the April 2016 launch of a new enhanced free shuttle service that makes the shuttle even more convenient, and the installation of sheltered bike racks on the island-side of the airport. Unique among North America's airports, Billy Bishop Airport can report that on average 40 per cent of its passengers walk, bike, shuttle or take public transit to the airport, and this number is expected to continue to increase.

Moving from air to sea, 2016 was also a significant year for the Port of Toronto and terminal operations. The Port of Toronto recorded another strong year due to both general cargo and cruise ship operations. More than 1.8 million tonnes of cargo from around the world were delivered directly into the heart of the city last year through the port with more than 160 vessels calling. Our port and terminal activities reported revenues of \$6.3 million and operating income from all sources of \$1.2 million.

We are proud of the Port of Toronto and the role it plays in the national transportation chain and its contribution to the economy of Toronto – not to mention the role it plays in our daily lives providing the sugar for our coffee, the salt for our roads, and the materials for our booming construction industry.

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 50,000, 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, seven cruise ships carrying a total of approximately 2,400 passengers visited PortsToronto's Cruise Ship Terminal at the foot of Cherry Street in 2016. This number is expected to increase to 16 ships bringing 5,500 passengers in 2017. 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 \$1.2 million on revenues of \$3.9 million in 2016. 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 fifth consecutive year. The marina is popular among boaters, with negligible turnover and 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 \$900,000 on revenues of \$1.9 million. This business unit includes the 60 Harbour building, Pier 6 at the foot of York, 5 Queen's Quay and the 30 Bay Street surface parking lot.

The 30 Bay property is the 1.8-acre site that PortsToronto owns at the corner of Bay and Harbour Streets in Toronto's South Core. On May 1, 2017, PortsToronto announced that it had sold this property to Oxford Properties Group and Canada Pension Plan Investment Board, who will 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 any future development plan. The sale closed May 1 and the transaction is valued at \$96 million, a portion of which will be payable over the next three years.

The property at 30 Bay/60 Harbour Streets is classified as “Schedule C” property in PortsToronto’s Letters Patent. That means that this property is not federally owned, but is rather private property owned by PortsToronto directly and not by the federal government. The Canada Marine Act stipulates that port authorities, including PortsToronto, must remain financially self-sufficient and cannot receive public funding from any level of government. As such, each port authority has business assets with which to generate revenue to fund operations. The property at 30 Bay /60 Harbour is indeed such an asset. It is a private asset owned by the port authority. In fact, the sale of port authority assets is fairly commonplace throughout Canada as property is bought, sold, swapped or leased to address municipal and/or organizational needs.

We first announced the development of this property with Oxford in March 2012 and since this time have provided updates and information in our annual report, website, and at our annual general meetings.

The proceeds from this sale will be used to support PortsToronto’s federal mandate to manage operations on a self-sustaining basis in order to reinvest funds into marine safety, environmental protection, community programming, and transportation infrastructure.

More specifically, the proceeds of the sale will go towards the repair of aging dock walls and warehouse terminals, 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.

The growth and profitability of each of our business units in 2016 enabled PortsToronto to continue making important investments in Toronto’s waterfront infrastructure, the environment, and community organizations. In fact, since 2009 PortsToronto has invested more than \$9 million in community and environmental initiatives. In 2016, PortsToronto supported many worthy community organizations such as the Disabled Sailing Association, Ireland Park Foundation, Lake Ontario Waterkeepers, and Evergreen.

In 2016 we also continued to invest in our sustainability program to ensure we conduct our operations in an environmentally responsible manner, and we released our second, annual Sustainability Report. Interestingly, the report just won the top honour from the Canadian Public Relations Society for Best External Publication. The report, which is available on our website, 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, using hybrid vehicles 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.

In addition to the community and environment, we also continued to invest in important new transportation infrastructure. One of the biggest initiatives from 2016 was the completion of year-one of a three-year airfield rehabilitation which I mentioned earlier. During this first year of construction the majority of airfield surfaces at the airport, including the active main runway 08-26 which is used by the majority of our stakeholders including our commercial carriers, was resurfaced. The initiative was necessary to replace the existing aging pavements and lighting for the airport's runways, taxiways and apron areas.

Given that a good portion of construction activities took place during night-time hours when the airport was closed to commercial aircraft traffic, PortsToronto implemented a number of measures to minimize the impact of construction activities on local residents including limitations on construction vehicle access, construction-related noise and lighting.

Further, in order to reduce the traffic through the Bathurst Quay Neighbourhood, this project transported the majority of equipment and materials to the site by barging it from PortsToronto's Marine Terminal yard in the Port lands to a temporary dock on the east side of the airport. This procedure ensured minimal impacts on local residents, as well as travelers, related to construction traffic. Similarly, the contractor implemented procedures to minimize the need for reversing construction equipment and therefore noise from back-up alarms and water trucks were deployed to ensure dust suppression during construction activities. This approach was cited by Airport Council International earlier this year when it awarded Billy Bishop Airport the top award for noise mitigation in its Environmental Achievement Awards.

In 2017 we will undertake year-two of the airfield rehabilitation focusing on taxiways to the west of the terminal, apron widening, service road construction and replacing lighting with LED fixtures.

Again much of the work for the airfield rehabilitation will take place at night and again we will employ any and all measures to ensure the community is not unduly inconvenienced by the work. This will include re-commencing our barging operation to ensure that asphalt and supplies will be transported across the harbour from the port to the barge, ensuring that trucks are not travelling back and forth on the ferry overnight. We will also continue posting weekly updates to our designated project website so the community is aware of the work ahead. This website can be found at [www.BillyBishopAirfieldProject.com](http://www.BillyBishopAirfieldProject.com).

Another important initiative going on at the airport is the upgrading of the passenger terminal. Nieuport Aviation Infrastructure Partners, which owns the airport passenger terminal, announced in October that it would begin a construction project to increase the terminal footprint to accommodate the growth experienced at the airport since 2010, when the terminal was built. Specific enhancements planned include adding more space in both the domestic and trans-border passenger lounges in order to provide more seating and the potential for additional amenities such as retail, food and beverage services.

The enhancement project will also allow for the reconfiguration of offices and administrative areas to accommodate future passenger screening needs in anticipation of a future U.S. Customs and Immigration Preclearance facility at the airport. The plan also includes the addition of an 11<sup>th</sup> gate to allow for increased operational flexibility and efficiencies during peak travel periods and weather events.

Construction has begun on this project with a view to completing the upgrade in 2018. Nieuport has worked closely with PortsToronto and other airport stakeholders to develop a plan for construction that will limit inconvenience to travelers and the surrounding community.

What this project, and the others discussed here today, indicates is that PortsToronto and others are investing in this airport for the long term. This airport is an asset to the City of Toronto and is valued as an efficient, convenient point of access to more than 20 destinations in Canada and the U.S. The airport contributes more than \$2.1 billion in economic impact per year and creates more than 6,500 jobs – 2,000 of which are directly related to airport operations. This airport is important to this city and the people who live here, and we are going to invest in it to ensure its current operations – as governed by and within the Tripartite Agreement – continue to be world class in every way.

In the coming years Billy Bishop Airport will become increasingly important to the region as demand for air travel grows. The current regional air travel capacity across all airports in Southern Ontario is estimated to be around 70 million passengers per year – this even takes into account already-planned capacity investments at Toronto Pearson.

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. Given this growth, a conservative estimate of air travel demand over the next two decades puts Toronto Pearson at roughly 65 million passengers per year by the mid-2030s.

By 2043 the regional air travel volume is expected to reach 90 million passengers annually, and Pearson will reach capacity. Demand will outstrip supply.

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 on long-haul air travel and establishing itself as a "Mega Hub."

A White Paper released on May 9 by the Southern Ontario Airport Network – a group comprised of 11 airports in Southern Ontario – reported that more than 110 million passengers and over 1 million tonnes of cargo will flow through Southern Ontario airports by 2043. This is compared to 49.1 million passengers and more than 470,000 tonnes of cargo today – so almost double what we are experiencing today. This expected growth in population, economic activity and air travel demand presents challenges that Southern Ontario must acknowledge and prepare for. This preparation includes airports like Billy Bishop Airport working with other airports to ensure future

demand can be met through managed growth, infrastructure investment and strategic collaboration with communities and stakeholders.

In response to this initiative, and as part of our strategic planning, Billy Bishop Airport will commence an update of its Master Plan. Airports usually update their master plans every five years or so and we are looking forward to kicking off the process in the coming weeks. Please be assured that public consultation will be an important and robust component of the process. More details will be released shortly, including a schedule of public consultation sessions, with a view to completing and releasing the plan in late 2018. A website will also be launched so the public can be kept informed of updates, information and meetings.

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 2016. 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 2016. In particular, I would like to thank our Chairman, Robert Poirier for his tireless 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 conduct ourselves in the year ahead with transparency and in the spirit of collaboration and communication. We look forward to what the rest of 2017 holds for us and the initiatives we will undertake to make our airport, port, marina and real estate holdings the best they can be.

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 earlier in May, the Community Liaison Committee will next meet on September 13. These meetings are, of course, open to the public. You can

also submit questions through our [communications@portstoronto.com](mailto:communications@portstoronto.com) mailbox and our website is updated daily with news and information as are our social media platforms.

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