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STRENGTHENING YOUR PORT'S FINANCIAL STABILITY THROUGH DIVERSIFICATION

A Case Study of the Vancouver Fraser Port Authority's Natural Advantages and Diversification Strategies

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June 8, 2016



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PRESENTATION OVERVIEW

- Canada's Trade
- Port of Vancouver
 - Historical and Natural Advantages
 - Diversification
- Vancouver Fraser Port Authority
- Land Supply Strategy
- Conclusion









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CANADA'S TRADE



COUNTRIES BY POPULATION

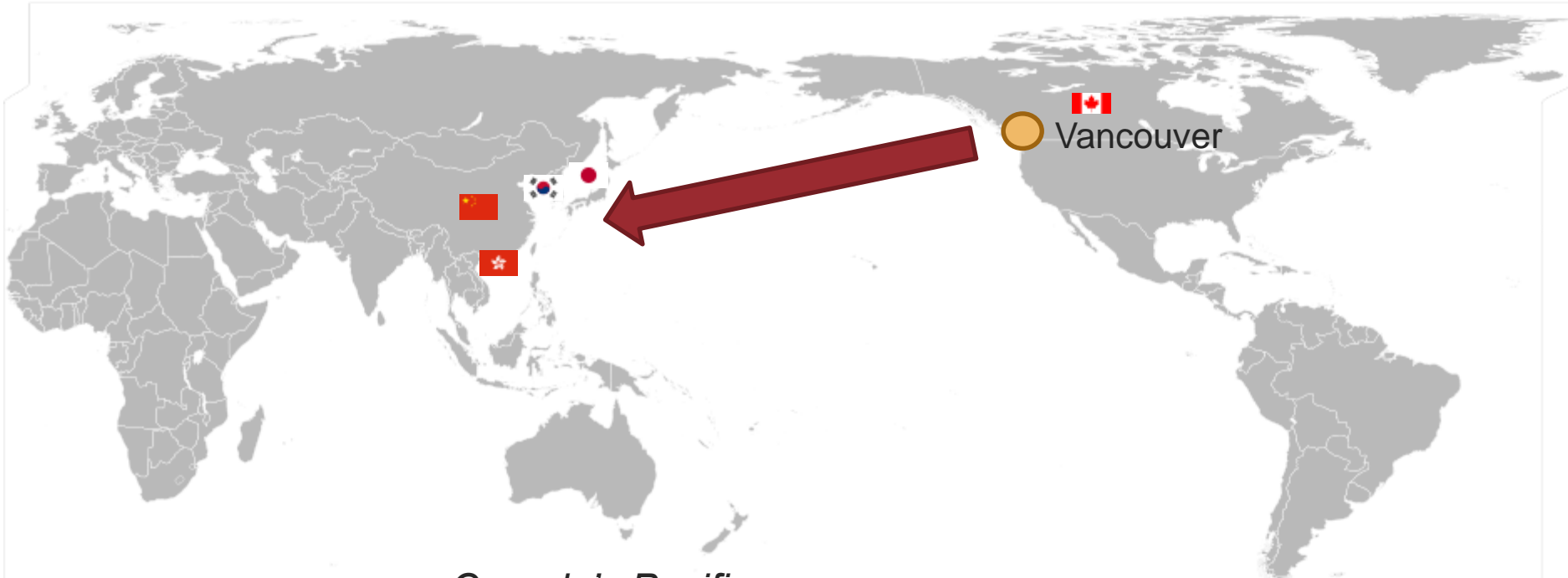
Rank	Country	Population (millions)	%
1	China 	1,377	19%
2	India 	1,290	18%
3	United States 	324	4%
4	Indonesia 	259	4%
5	Brazil 	206	3%
38	Canada 	36	1/2%
	World	7,400	100%

GLOBAL TOP TRADING COUNTRIES

Rank	Country	US\$ (trillions)
1	EU 	4.6
2	China 	4.2
3	United States 	4.0
4	Germany 	2.6
5	Japan 	1.4
12	Canada 	0.9
	World	36.6

*When it comes to trade,
Canada “punches above its weight”.*






CANADA'S TRADE BY COUNTRY



Canada's Pacific Coast is the natural trade outlet for goods moving to 4 of Canada's top 10 trading partners.

Rank	Economy	C\$ Billions
3	China	56
6	Japan	20
8	South Korea	10
9	Hong Kong	9

PORT OF VANCOUVER TOP TRADING PARTNERS

Rank	Economy	Metric Tonnes (millions)
1	China 	30
2	Japan 	15
3	South Korea 	13
4	United States 	6
5	India 	5

Port of Vancouver moves 140 million metric tonnes of cargo annually

CANADA'S TRADE

- Canada is a trading nation
- There has always been a strong market opportunity for Vancouver

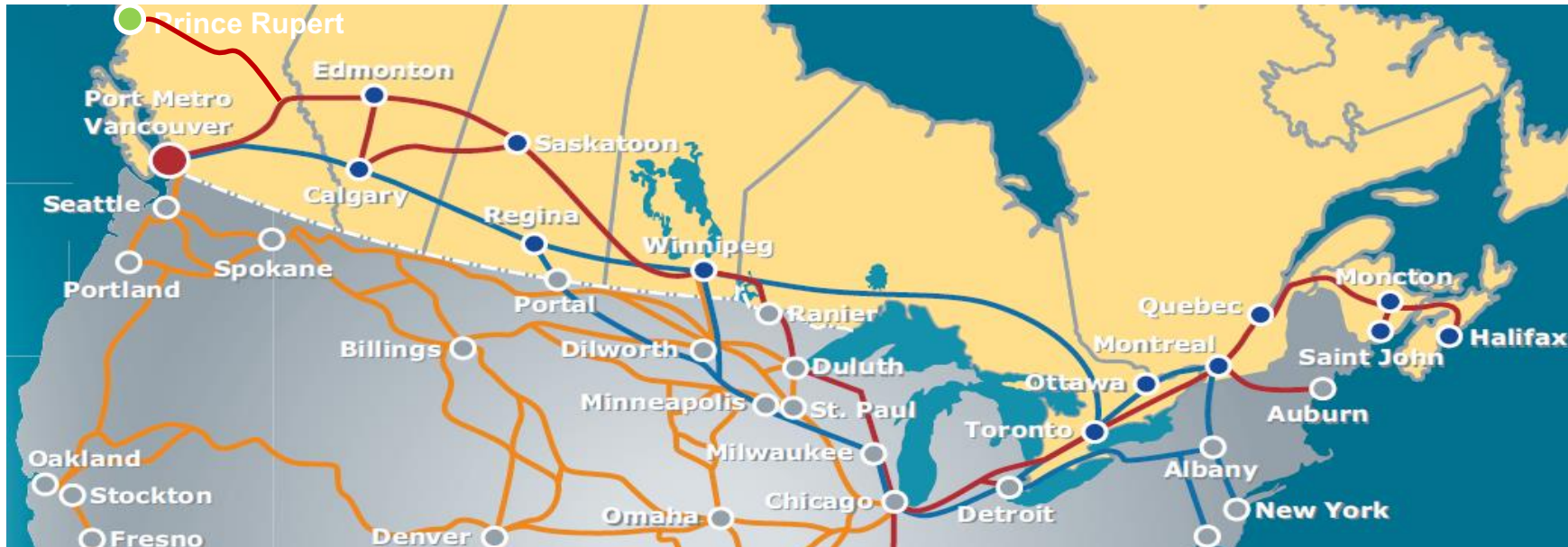


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PORT OF VANCOUVER
- HISTORICAL AND NATURAL ADVANTAGES



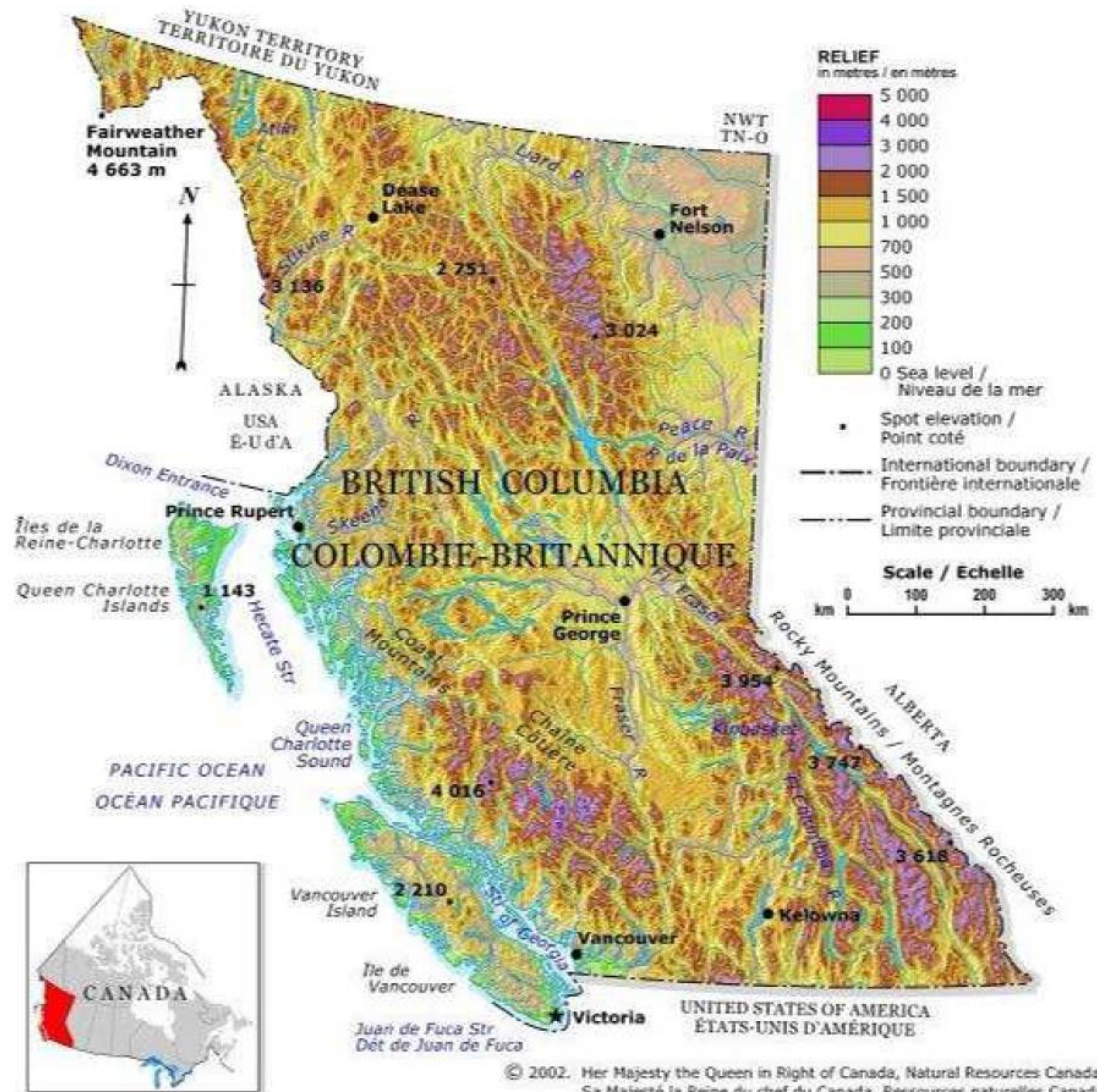
CANADA'S RAIL CONNECTIONS TO THE PACIFIC



Canada has only two rail connections to the Pacific.

CANADA'S RAIL CONNECTIONS TO THE PACIFIC

And its going to be difficult and expensive to build another.



CANADA'S ROAD CONNECTIONS TO THE PACIFIC



Canada's main east west highway, the Trans Canada Highway, leads to Vancouver.

CANADA'S ROAD CONNECTIONS TO THE PACIFIC

Regional road network investments

(Provincial and Federal)

- **Current:**
Port Mann Bridge and South Fraser Perimeter Roads (\$5B)
- **Future:**
George Massey Tunnel Replacement (~\$1B)

Gateway corridor investments

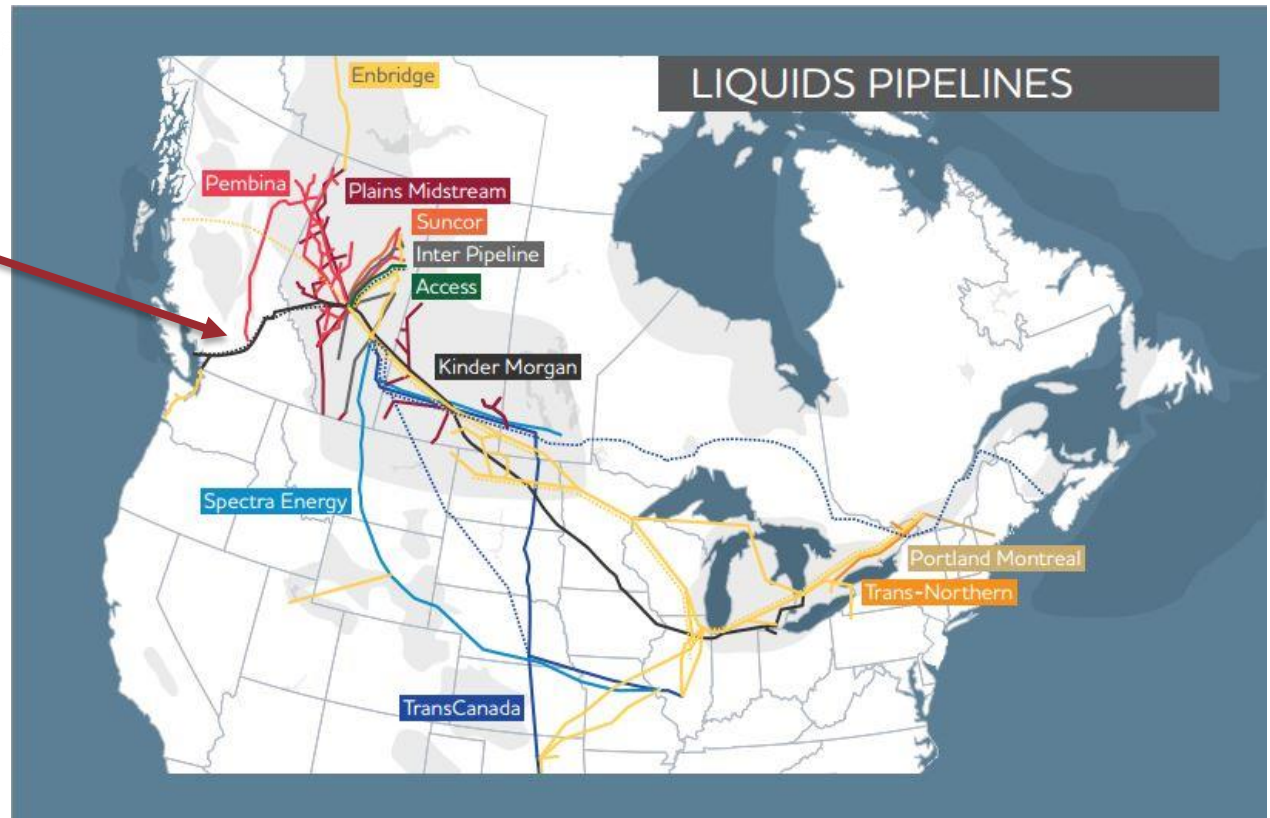
- **Current:**
Three trade areas (\$700M)
- **Future:**

\$7 billion currently being invested in road improvements connecting the Port of Vancouver to the National highway System.



CANADA'S PIPELINE CONNECTIONS TO THE PACIFIC

- Canada's only existing pipeline to the Pacific goes to Vancouver
- Canada's new Federal Government's election platform includes a moratorium on North Coast tanker traffic



Kinder Morgan | Westridge

- Proposed expansion of existing Trans Mountain Pipeline, built in 1952
- Investment of \$5 billion to twin the pipeline, add new equipment and storage capacity
- Recently approved by the National Energy Board Panel, subject to 157 conditions
- Now being reviewed by the Federal Minister





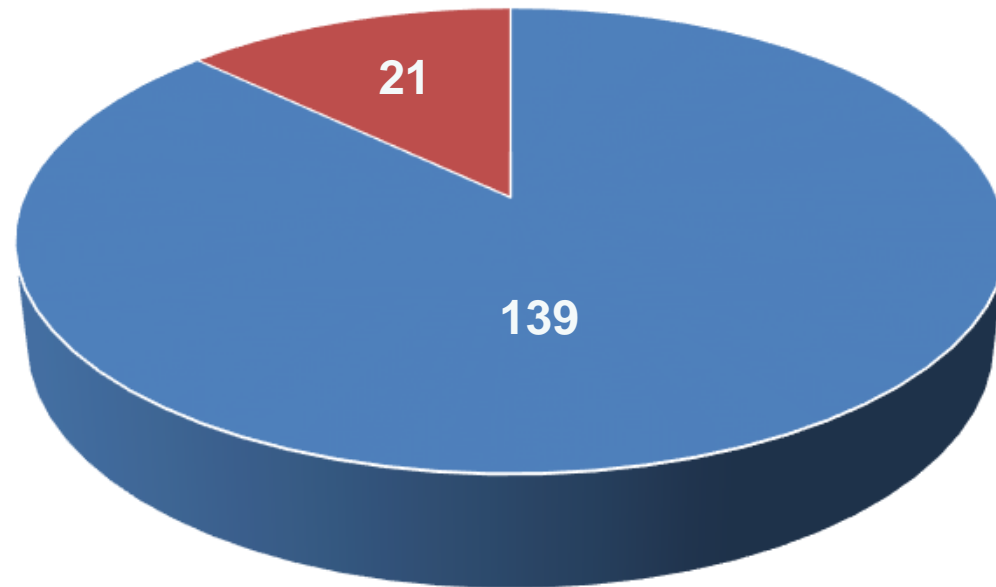
WATER DEPTHS

- Canadian Port Authorities are responsible for all dredging costs
- Vancouver Fraser Port Authority must dredge the Fraser River at a net cost of \$20 million per annum.

VANCOUVER'S COMPETITIVE POSITION

(Max score 5)	Vancouver	Prince Rupert
Physical Capability of Terminals	5	5
Planned Capacity Development	5	5
Productivity of Terminals	4	4
Cost of Transiting Terminals	5	5
Delivered costs to the Midwest	4	4
Import/Export balance	5	3
Local Demand	5	2
Location as a Regional Hub	5	2
Existing Customer base	5	3

VANCOUVER'S COMPETITIVE POSITION



■ Port of Vancouver ■ Prince Rupert

HISTORICAL AND NATURAL ADVANTAGES

- Port of Vancouver has historically benefited from strong hinterland connections
- Vancouver is competitive
- \$200 Billion of Canada's \$1 Trillion annual trade in goods (20%) moves through Vancouver










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PORT OF VANCOUVER
- DIVERSIFICATION



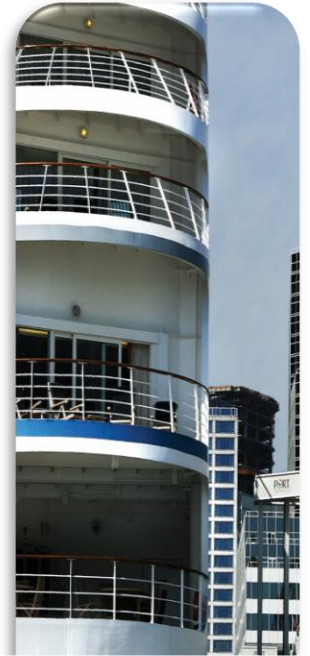
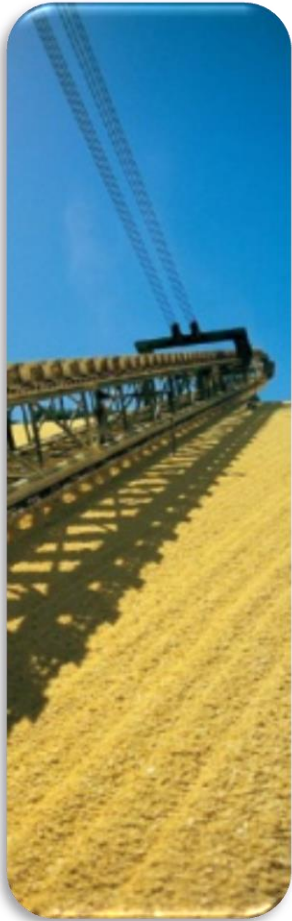
DIVERSIFIED BY TRADING PARTNER

Rank	Economy	Metric Tonnes (millions)	%
1	China 	30	21
2	Japan 	15	11
3	South Korea 	13	9
4	United States 	6	4
5	India 	5	3

Top 5 trading partners make up 48% of total trade

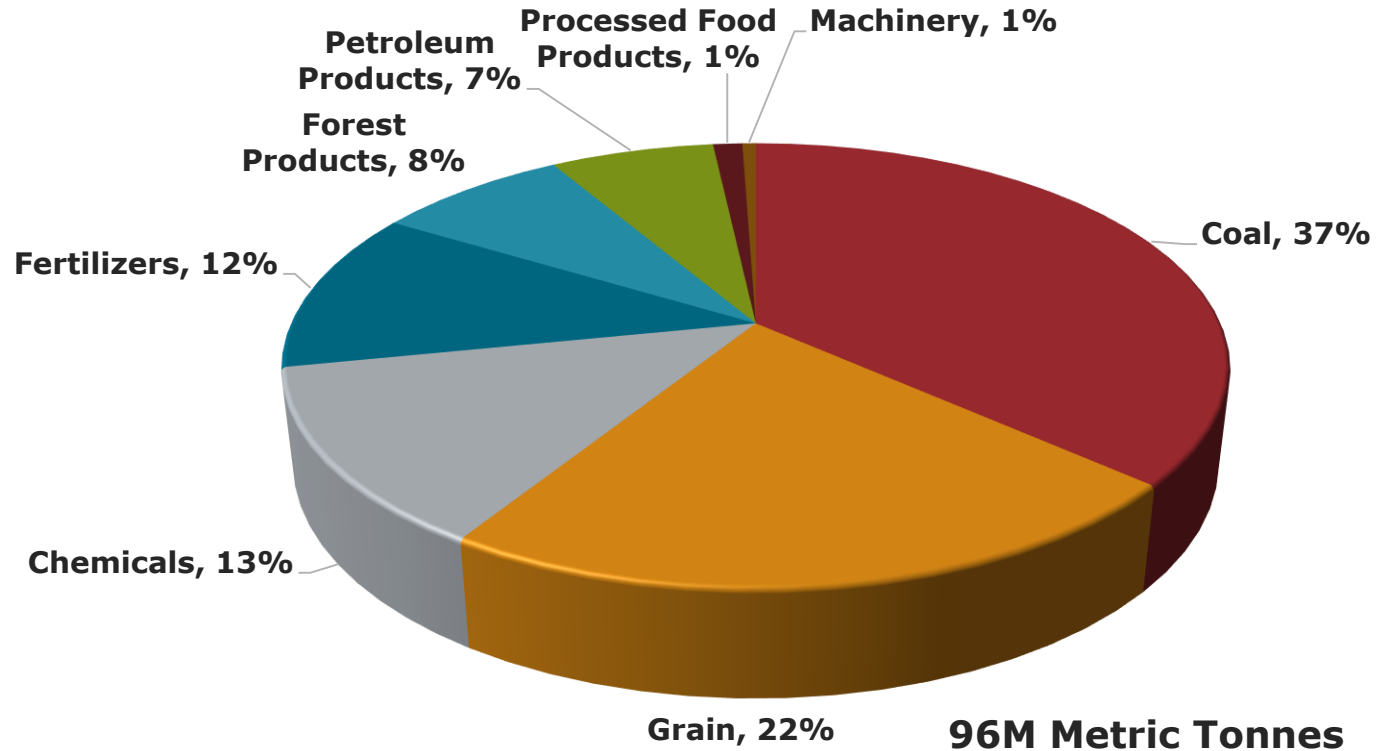
52% of trade diversified between 155 other economies

DIVERSIFIED BY METHOD OF HANDLING

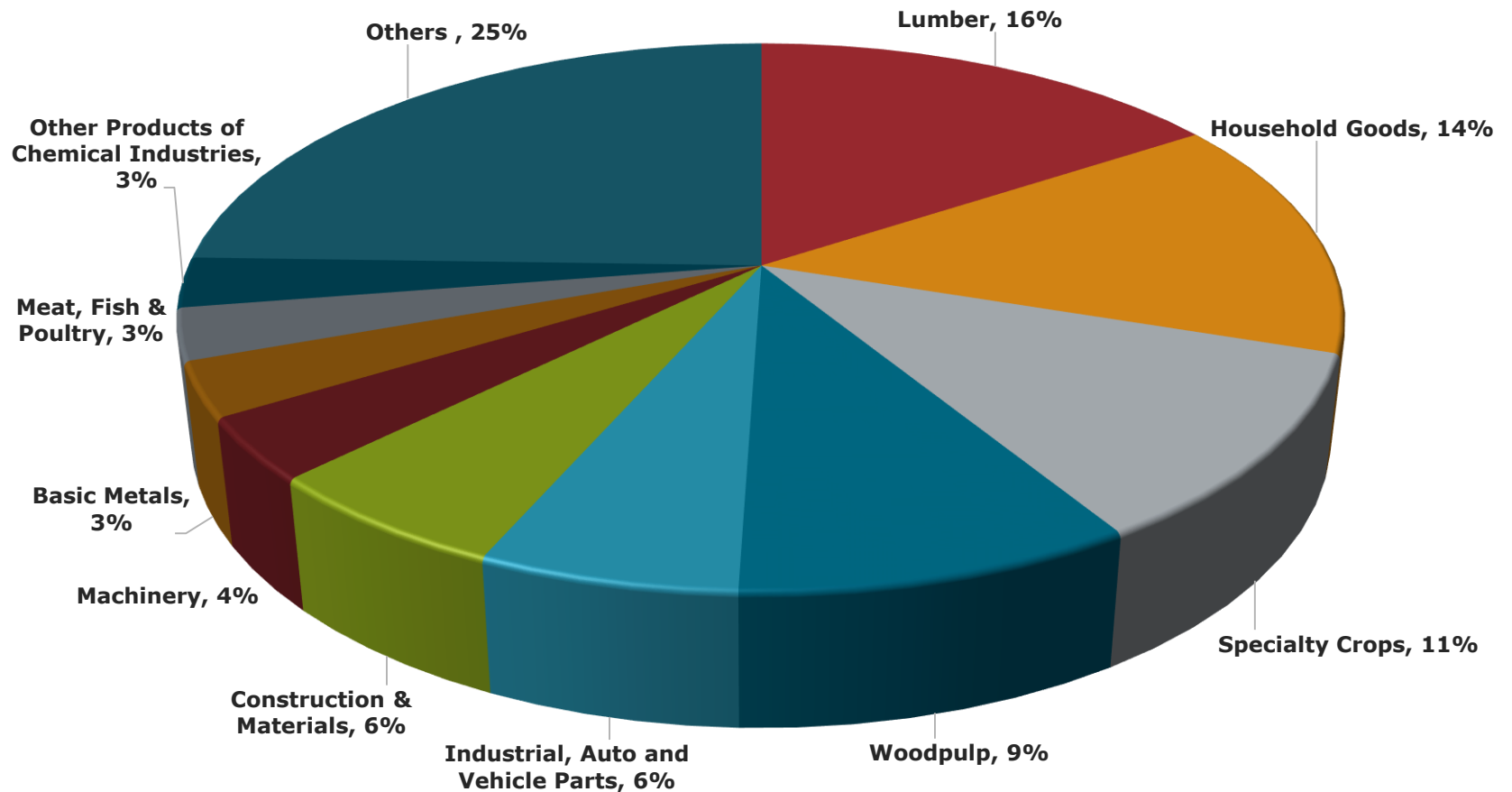


Method of Handling	Tonnage (millions metric Tonnes)	%
Bulk	96	70
Container	25	18
Breakbulk	17	12
Auto	1/2	<1
Total	139	100

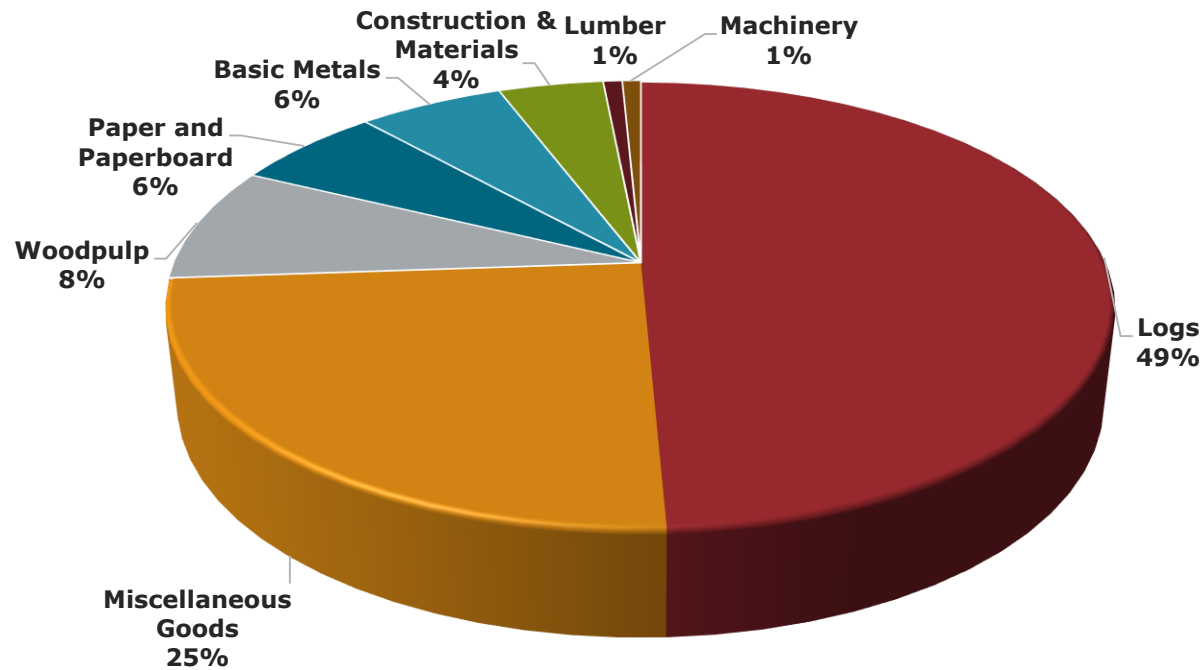
DIVERSIFIED BY COMMODITY - BULK VOLUMES



DIVERSIFIED BY COMMODITY – CONTAINER VOLUMES



DIVERSIFIED BY COMMODITY - BREAKBULK VOLUMES



17M Metric Tonnes

DIVERSIFIED BY CUSTOMER

Port of Vancouver (2015)

Shipping Lines (% of traffic)

Cargo Type	Shipping Lines (% of traffic)			Total Volume	Units
	Top 5	Others	Others (No.)		
Container	47%	53%	20	3.1	TEU's (<i>millions</i>)
Bulk	65%	35%	41	96.2	MT (<i>millions</i>)
Breakbulk	66%	34%	40	16.5	MT (<i>millions</i>)
Auto *	100%	0%	0	384,474	Units
Cruise	89%	11%	8	805,435	Passengers

* Represents only WWL and Fraser Wharves based on data availability.

DIVERSIFIED BY TENANT

Port of Vancouver (2015)

Cargo Type	Major Terminals	Average Annual Volume per Terminal	Units
Container	4	763,027	TEUs
Bulk - Dry	13	5,554,727	Metric Tonnes
Bulk - Liquid	10	885,256	Metric Tonnes
Breakbulk	2	1,681,050	Metric Tonnes
Auto	2	192,237	Metric Tonnes
Cruise	1	805,435	Passengers

Note: average annual volume only includes tonnage handled by major terminals

Vancouver Fraser Port Authority also has 1,000 other small and mid sized tenants that diversifies its risk.

DIVERSIFICATION

- Vancouver Fraser Port Authority has capitalized on its historical and natural advantages and developed a very financially diversified business
- VFPA has obtained a credit rating from Standard & Poors of AA





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VANCOUVER FRASER PORT AUTHORITY

VANCOUVER FRASER PORT AUTHORITY

- Established by the Government of Canada under the Canada Marine Act
- Accountable to federal Minister of Transportation



BOARD OF DIRECTORS

- Governed by a board of directors appointed by federal (1), provincial (2), and municipal governments (1) and nominated by port users (7).
- Can serve for consecutive terms totalling 9 years.
- Fiduciary duty is to the VFPA, not the nominating or appointing body.
- Makes its own decisions on strategic planning and investments

VANCOUVER FRASER PORT AUTHORITY

- Funded by user fees and rent
- No taxing authority
- Pays a percentage of revenues to the Minister of Transportation
- Not an agent of the crown for borrowing
- No ability to raise funds through tax exempt bonds



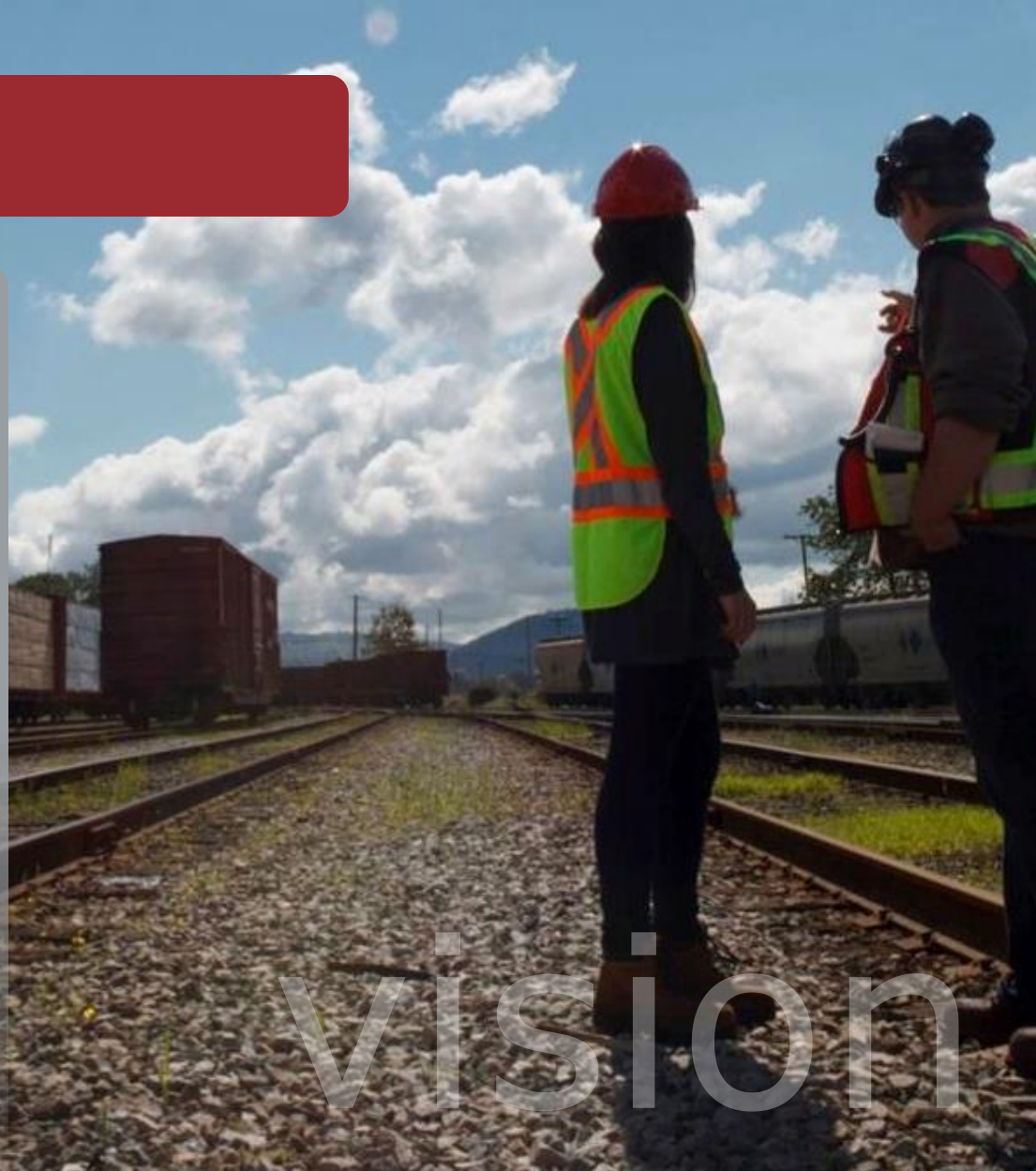
MISSION AND VISION

Mission

- To enable Canada's trade objectives, ensuring safety, environmental protection and consideration for local communities.

Vision

- To be the world's most sustainable port.



STRATEGIC PRIORITIES

- Build a more connected and engages culture and drive operational excellence
- Achieve broad public support for port operations and growth
- Achieve alignment with policy makers on the vision for the Gateway
- Increase supply chain efficiency, transparency and optimize operational capacity to deliver enhanced customer and stakeholder value
- Anticipate, select and deliver new and repurposed infrastructure capacity to meet key sector demand
- **Anticipate, deliver and optimize land supply to support gateway growth in key sectors**
- Enhance and maintain gateway environmental health



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LAND SUPPLY STRATEGY

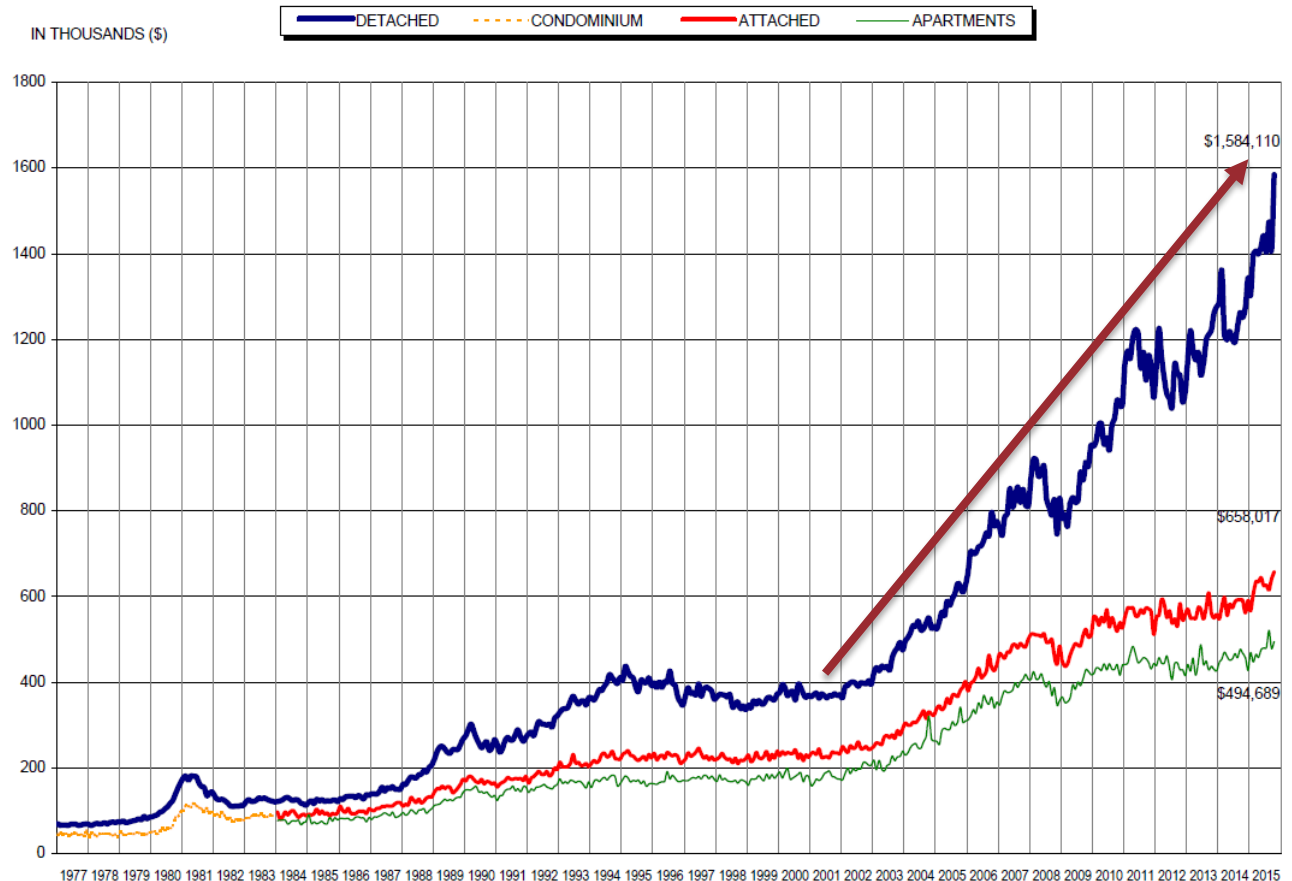
Anticipate, deliver and optimize land supply to support gateway growth in key sectors

METRO VANCOUVER REAL ESTATE MARKET

Vancouver residential real estate prices have quadrupled since 2001, providing incentive for developers to convert industrial land to residential use.



Residential Average Sale Prices - January 1977 to October 2015

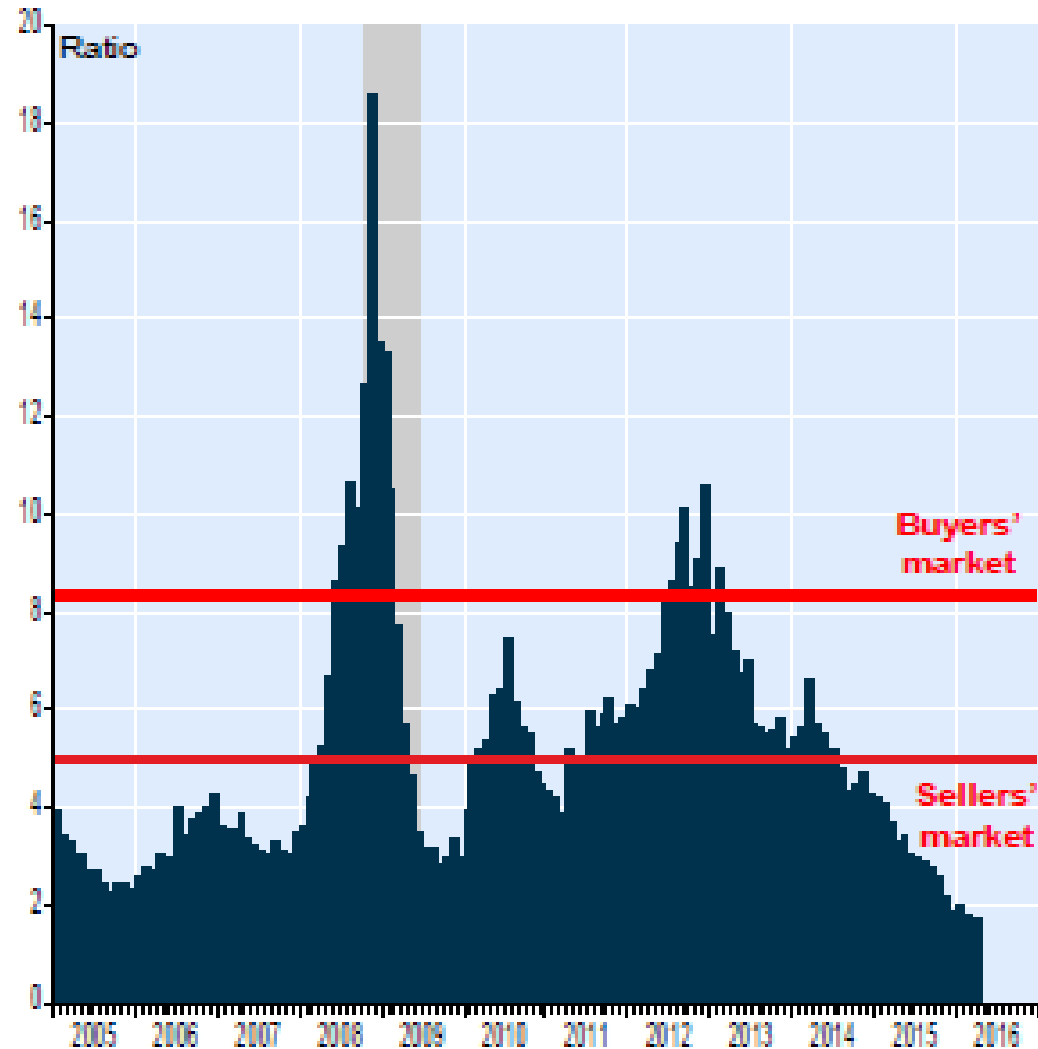


NOTE: From 1977 - 1984 condominium averages were not separated into attached & apartment.

METRO VANCOUVER REAL ESTATE MARKET

Active-listings-to-sales ratio

And residential real estate inventory remains low.



METRO VANCOUVER REAL ESTATE MARKET

FRIDAY, JUNE 3, 2014 VANCOUVER, BRITISH COLUMBIA \$1.52 82-14 minimum in outlying areas A DIVISION OF POSTMEDIA NETWORK INC.

Province reporter attacked by aggressive crows in West End **PAGE 6**

The Province

ED WILLES: NHL looks for easy way out of 2018 Olympics **SPORTS 60**

FRASER VALLEY

HOUSE PRICES SOAR THROUGH THE ROOF

Area	Price Increase
Richmond	45.7%
North Delta	47.1%
Tsawwassen	48.2%
South Surrey & White Rock	41.8%
Surrey North	45%

Benchmark prices for detached homes rise by more than 40% in 12 months in some suburbs

Housing heat spreads to suburbs **PAGE 3**

Five insights from Bob Rennie **PAGE 4**

Taxes drive up prices **PAGE 22**

SOURCES: REAL ESTATE BOARD OF GREATER VANCOUVER, FRASER VALLEY REAL ESTATE BOARD

PowerShot G5X DIGITAL CAMERA

The PowerShot G5 X makes it simple to capture and capture high-quality stills and video without taking your eye away from the camera.

EVF HD 1080p Wi-Fi

799⁸⁸ INCLUDES LEATHER SLING STRAP

Prices in effect to June 12

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The EOS 6D DSLR camera is the clear best for unlocking your creative vision.

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w/24-105mm F4 L IS USM **2599⁸⁸** Body Only **1799⁸⁸**

INCLUDES ACCESSORY KIT Battery, Strap & Straps (1799.88 value)

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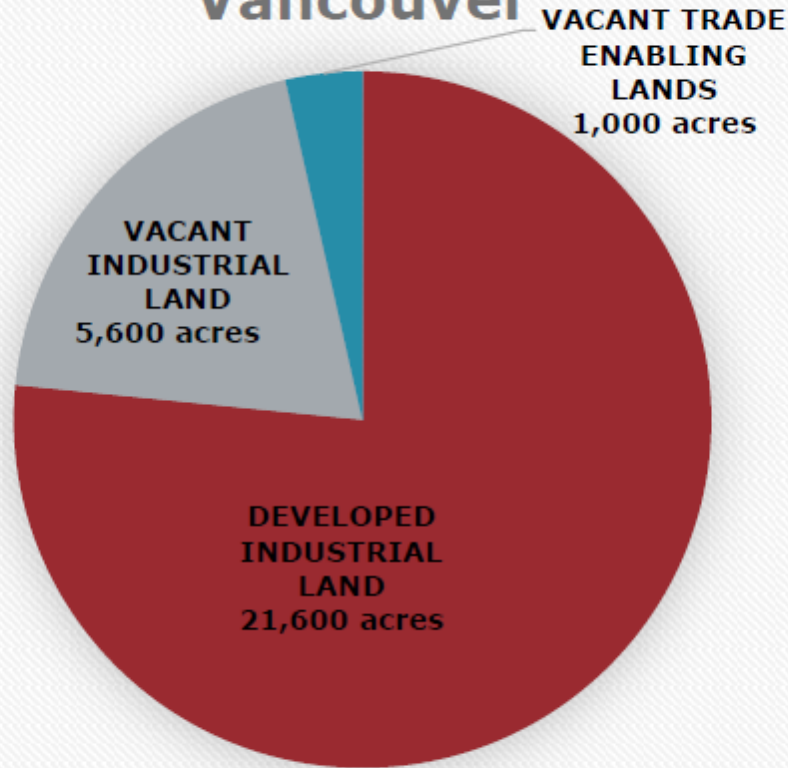
METRO VANCOUVER REAL ESTATE MARKET



1,700 sq ft, 3 bedroom, 60 year old home
in an average Vancouver neighborhood

METRO VANCOUVER INDUSTRIAL LAND OVERVIEW

Industrial Land Inventory Metro Vancouver



- 1,500 to 3,000 acres of Trade Enabling Land required in Vancouver in the next 5 – 10 years to meet market opportunity.
- Industrial land inventory has reduced by 870 acres in the past 5 years
- 22% of industrial land is currently at risk of being converted to another use.

METRO VANCOUVER INDUSTRIAL LAND OVERVIEW

Fraser Mills, Coquitlam



88 acres of marine industrial land designated as Waterfront Village by local government.

INDUSTRIAL LAND EXPANSION & PROTECTION STRATEGY

Unchecked, the pressures facing industrial land in the region will impact PMV's ability to enhance trade. As a result we are pursuing a strategy with three related components:

1. Acquisition and development of industrial land for port related development.
2. Leading the advocacy for protecting trade-enabling lands in the region.
3. Exploring the development of alternative land suitable for port related development.

2016-2020 CAPITAL PLAN

Vancouver Fraser Port Authority's 2016-2020 Capital Plan identifies \$1.4 billion of capital spending

Project	2016-2020
Container Terminal Expansions	\$637M
Strategic Land Acquisitions	\$356M
Richmond Logistics Hub	\$123M
Road and Rail Improvements to Port Back Up Lands	\$78M
Other Projects	\$166M
Total	\$1,360M

STRATEGIC LAND ACQUISITIONS

- VFPA's acquisition strategy focuses on lands with the following characteristics:
 - Present opportunities for consolidation with existing holdings
 - Can be developed into logistics facilities that will support the gateway's projected growth in container trade
 - Near major road and rail infrastructure
- Since 2008, VFPA has bid successfully on 11 transactions, but unsuccessfully on 7.

STRATEGIC LAND ACQUISITIONS

501 Boyd Street, New Westminster



- 50 acre site purchased in 2012
- Leased to a developer long term, who is developing 3 warehouses totaling 720,000 square feet.
- Two of the three warehouses are now tenanted.
- Developer has now its interest to a pension fund.

RICHMOND LOGISTICS HUB DEVELOPMENT



- Facilitate a combination of marine terminal, short-sea shipping, trans shipment and distribution facilities in support of port operations.
- Six phase development
- Currently an area wide transportation study is underway
- Significant improvements are expected as a result

INDUSTRIAL LAND PROTECTION

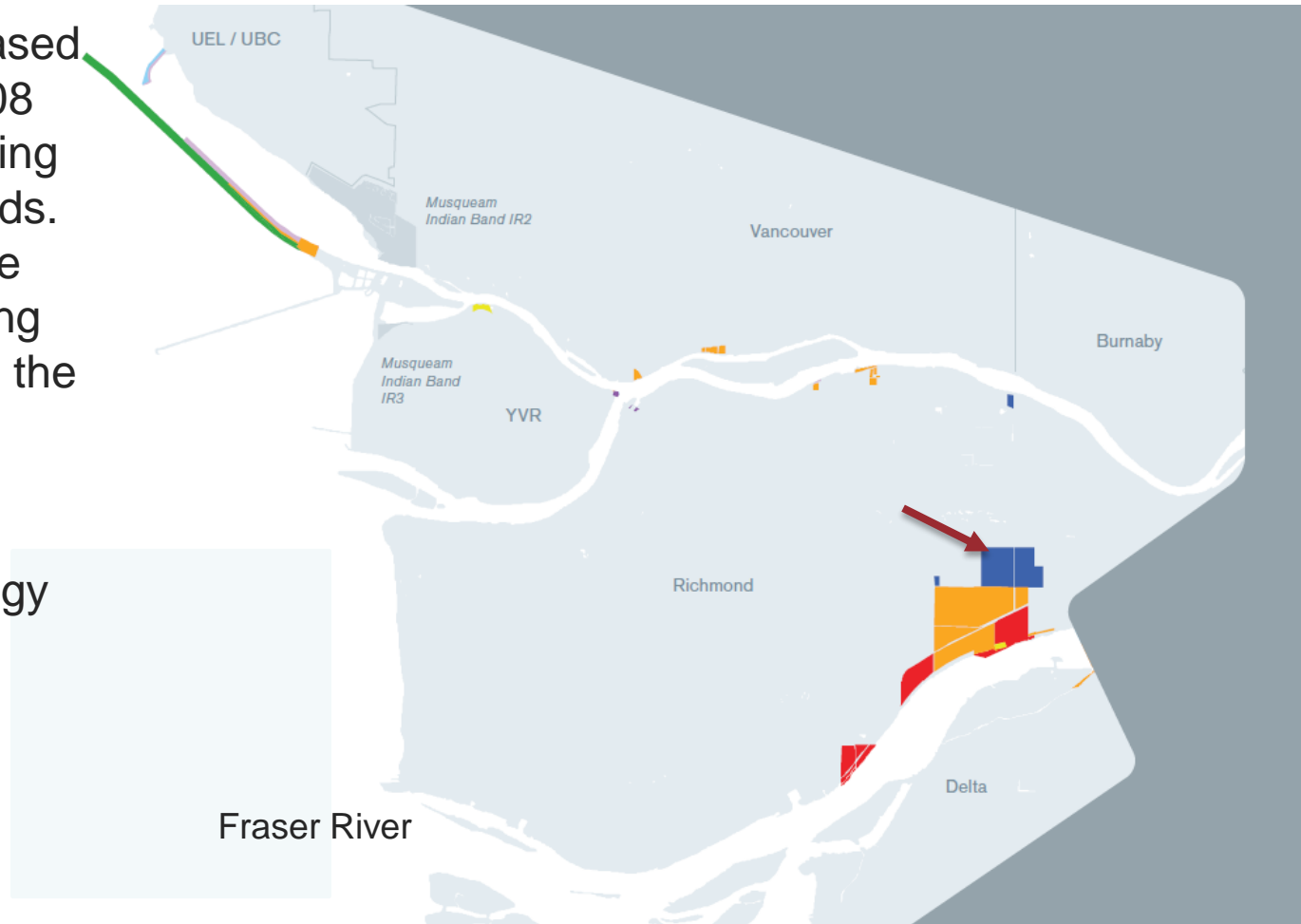
PMV developed an approach to protect trade-enabling industrial land with a focus on collaborating with the Province of BC and launched a related advocacy and awareness campaign.

Key Deliverables for 2016 include:

- Seeking to establish a forum to advance awareness and solutions to protect industrial land;
- Identifying lands within the region to be protected for port use; and
- Supporting provincial policy makers in the development of new policies for the protection of trade enabling land.

SPECIAL STUDY AREA LANDS

VFPA purchased a farm in 2008 near its existing industrial lands. The lands are currently being farmed while the Authority advances its overall land supply strategy

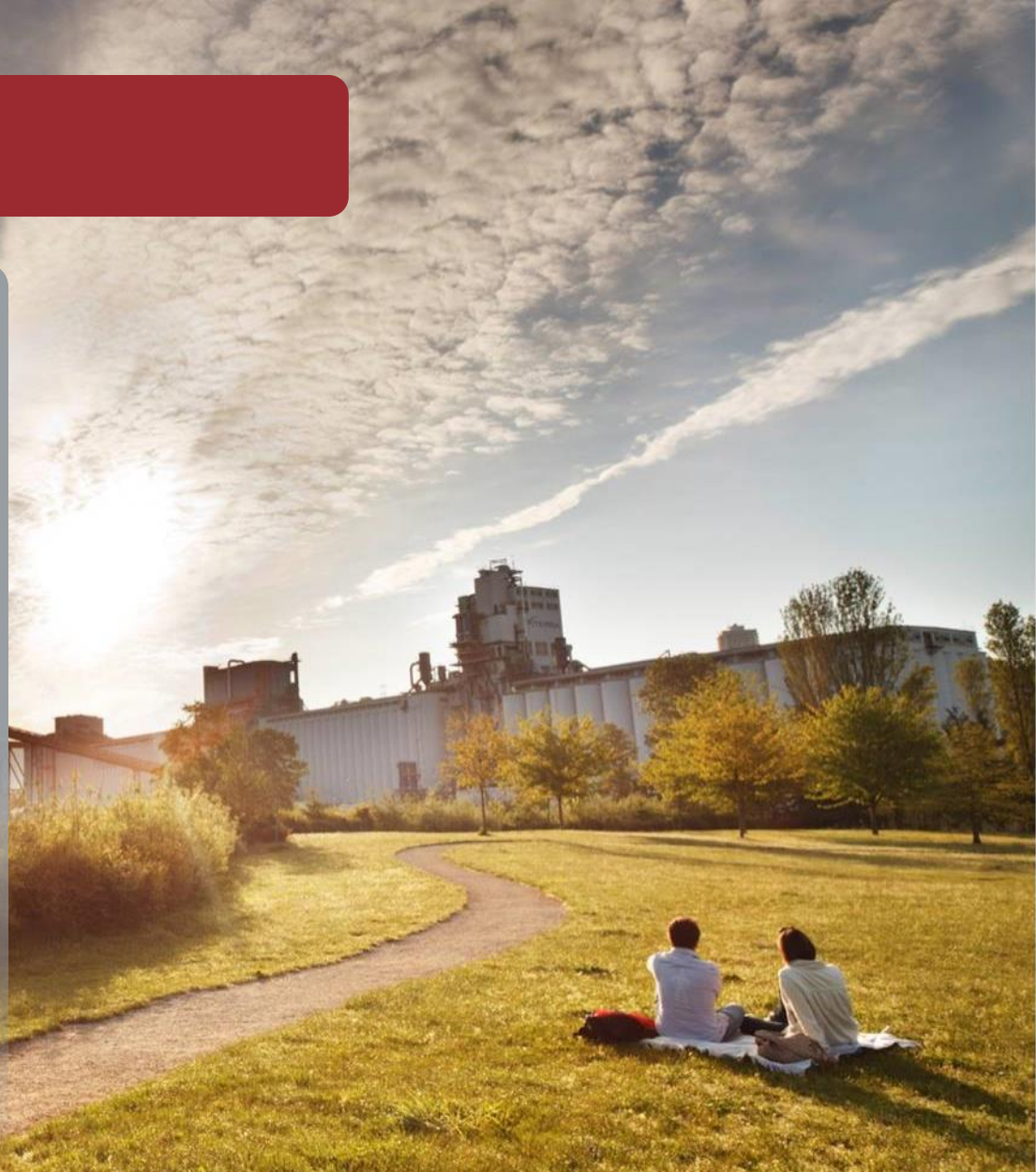


LAND SUPPLY STRATEGIES

- VFPA's Land Acquisitions strategies will not be enough to ensure a adequate supply of industrial lands for customers
- There is an important role for Government policy makers to play as well

KEY TAKEAWAYS

- Canada's Pacific Trade is strong.
- Vancouver's natural and historical advantages have enabled it to grow a very diversified business
- VFPA's Land Strategies will be an important determinant of its ability maintain this diverse business into the future.





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Thank you.

Larry Sawrenko, Director – Finance & Treasurer