PORT of vancouver | Vancouver Fraser Port Authority

Annual general meeting – May 2022

Victor Pang, chief financial officer

Good afternoon, everyone.

Today, I'll talk about the Vancouver Fraser Port Authority's 2021 financial results.

What I hope you'll take away from today is that our financial results continue to be very resilient despite the market challenges we faced.

This resilience has allowed us to keep investing in the capital infrastructure that this gateway needs, as well as other key enabling operational initiatives to increase our efficiency.

My remarks will start with a discussion about our earnings model.

Then, I'll walk through the highlights of our 2021 results.

Lastly, I'll announce our auditor for this year.

Earnings Model

Starting with our earnings model, we have two main sources of revenue. First, we generate rental revenue from tenants who operate on port lands. And second, we collect fees from users of the port.

Unlike many other ports around the world, tax dollars are not a source of revenue for us. In fact, we pay a certain percentage of our revenue to the federal government in the form of stipends. And we also make payments called 'Payments in Lieu of Taxes' to our local municipalities.

As a Canada Port Authority, we are setup to be financially self-sufficient. That means after paying for our day-to-day operations, our earnings form the financial capacity that we use to invest in the growth of the gateway, make us a more sustainable port, and support our neighboring communities.

In the past, typically 90% of our EBITDA was reinvested in the gateway as capital spending. However, as we are now entering into a higher investment period, this metric is now 150% in 2021.

Port cargo results

Now I will turn to our cargo volume results.

In 2021, we were faced with a challenging operating landscape, as Robin has described. However, our overall trade volumes remained resilient, and increased by 1% over the prior year.

If we look at the various sectors, the cruise sector remained paused in 2021 for a second consecutive year, under federal health regulations.

We also saw declines in areas such as fertilizers, chemicals, lumber, wood pulp, and processed food products—largely due to global supply-chain challenges and weather events including the severe flooding in November.

However, strengths in other sectors more than offset these declines. We saw increases in container and breakbulk volumes, as well as a partial rebound of the auto sector, all of which helped us achieve the 1% overall growth in port volume.

Port authority financials

I will now turn to our 2021 financial results.

Revenues

Revenues of $275 million were up slightly by $0.6 million from the prior year. This level of increase in our revenues was generally consistent with the growth in cargo volume.

The experience in 2021 has really demonstrated the resilience of our cargo volume, both in terms of our gateway's ability to quickly respond to the supply-chain and weather challenges, and the benefit of having a highly diverse mix of cargo. It also demonstrated the resilience of our revenue model, which allows us to continue making strategic investments in the gateway, without having to slow down initiatives due to revenue concerns.

Despite a supply chain stressed by external factors, the port authority continued making strategic investments with the intention of further strengthening gateway resiliency.

Operating Expenses

Moving to operating expenses, last year we increased our operating spending by 17% to $172 million. We invested in our internal resources and other project-related costs to advance various strategic initiatives—for example, improving supply-chain visibility, enhancing infrastructure project support, optimizing land use, advancing information systems, and improving site security.

EBITDA

EBITDA for 2021 was $135 million, a decrease of 15%. This is the result of our deliberate decision to continue advancing our strategic initiatives for the long-term benefits of the gateway, even though our revenue growth was dampened during this challenging year.

Capital spending

Turning to capital spending.

We spent $208 million in capital investments in 2021. As I have mentioned, this represents 150% of our EBITDA for the year.

Some of the highlight projects include:

Centerm Expansion and South Shore Access Project where we worked toward completing the Centennial Road overpass, installing new truck gates, opening the container operations facility, and the addition of seven new cranes purchased by DP World, the operator of the terminal.

As an aside, this project has been a great regional economic boost during the pandemic, as the construction activities generated $10 million per month of investment into the local economy.

Another highlight is the Roberts Bank Terminal 2 Project, where we worked toward advancing environmental studies, signing additional mutual benefit agreements with Indigenous groups, and submitting our response to the federal government's 2020 information request.

We have the Highway 91/17 Upgrade Project, which is being led by the province to improve traffic safety and efficiency along key provincial highway routes connected to the Roberts Bank Trade Area.

And lastly, our other Greater Vancouver Gateway infrastructure projects, to advance the design and construction of various road and rail projects in the Lower Mainland to both expand our network capacity as well as delivering community benefits such as enhanced safety.

Conclusion

To pull this all together, despite the challenges of 2021, the resiliency of our cargo volume and revenues has allowed us to keep investing in operational initiatives and capital projects to strengthen this gateway for the long term.

Our strong financial capacity continues to allow us to fulfil our federal mandate to enable Canada's trade objectives through the Port of Vancouver, and to achieve our vision to be the world's most sustainable port.

These results are not solely achieved by the port authority. They are the products of the hard work and dedication of all the organizations and individuals throughout this port ecosystem. Our stakeholders, terminals, tenants, and industry ensured these solid results. And I would like to express my sincere thanks to all of them.

Finally, I'd like to announce that our board of directors have reappointed PriceWaterhouseCoopers (PWC) as our 2022 auditors.

Thank you and with that, I'll now hand things over to my colleague John Parker-Jervis from our communications department to lead the Q and A session.