PORT METRO vancouver

2009 Management Discussion and Analysis

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Contents

The following comments should be read in conjunction with Port Metro Vancouver 2009 Annual Report, which has been prepared in accordance with Canadian generally accepted accounting principles. Financial figures below refer to Port Metro Vancouver's unconsolidated financial statements.

About Port Metro Vancouver

The Vancouver Fraser Port Authority (Port Metro Vancouver), doing business as Port Metro Vancouver has 28 terminals servicing deep sea vessels: 1 breakbulk, 19 bulk, 4 container & mixed use, 2 cruise and 2 auto carrier terminals. Most of these terminals are privately owned and operate on land and/or waterlots leased from Port Metro Vancouver. In addition, the Port also has a number of smaller marinas and facilities capable of handling domestic and regional cargo.

Port Metro Vancouver has excellent resources that reinforce its competitive position. These resources include significant land and water assets, excellent and well established facilities, and a full range of marine services, including shipyards, chandlers, freight forwarders and shipping agents.

Vision

Port Metro Vancouver will be valued by customers, embraced as a member of the community and recognized globally as a leader in port sustainability.

Mission

To lead the efficient and reliable movement of cargo and passengers in a manner that supports Canadian growth and prosperity, now and in the future.

Regulatory and Political Environment

Government of Canada

Port Metro Vancouver is a non-share capital, financially self sufficient entity, established by the Government of Canada pursuant to the *Canada Marine Act* (CMA) on January 1, 2008. This legislation is "an Act for making the system of Canadian Ports competitive, efficient, and commercially oriented". The objectives of the Act also include implementing "a National Marine Policy that provides Canada with the marine infrastructure it needs and that offers effective support for the achievement of national, social, and economic objectives and will promote and safeguard Canada's competitiveness and trade objectives". It is Port Metro Vancouver's statutory mandate to ensure these objectives are accomplished within its jurisdiction (the Port).

The Government of Canada has pledged a total of over $1 billion to the Asia-Pacific Gateway and Corridor Initiative, of which approximately $800 million will be spent on strategic infrastructure projects within British Columbia. The gateway initiative is meant to enhance Canada's global economic competitiveness by establishing the Asia-Pacific Gateway as a primary link between North America and Asia.

Province of British Columbia

Port Metro Vancouver has a solid relationship with the Province of British Columbia and is collaborating with them on a number of projects. The Province has committed $3 billion to Gateway projects and is driving projects with joint interest. It contributed, along with Port Metro Vancouver and cruise lines, to bring shore power to Canada Place and is working with Port Metro Vancouver to improve container truck safety.

The Province owns the bed and foreshore of the north and middle arms, and a portion of the bed and foreshore of the main arm of the Fraser River. Port Metro Vancouver has two separate head leases from the Province that expire in 2011. Terms for a new lease have been negotiated and consultation with First Nations has begun.

Municipal Governments

Port Metro Vancouver's relationships with its 16 surrounding municipalities are very much issues-dependent.

Considerable strides have been made in Delta, where the Port's two major terminals, TSI's Deltaport container terminal and Westshore Coal terminal are located. Senior municipal staff and the Mayor have commented that their relationship with Port Metro Vancouver has never been better and that efforts to involve and consult with the community have helped improve the relationship. The Deltaport Third Berth Project Community Liaison Committee has been very effective in engaging the community. Port Metro Vancouver also participates in other liaison groups including the North Shore Waterfront Liaison Committee and the East Vancouver Port Lands Liaison Group. Port Metro Vancouver also participates in the annual Port Cities Conference.

One of the leading areas of municipal interaction is land acquisition and land use. The 2009 purchase of a 200-acre farm in Richmond resulted in opposition to the purchase of Agricultural Land Reserve (ALR) land for eventual Port use. Development of a Port Metro Vancouver ALR land policy is underway.

Though Port Metro Vancouver is not subject to municipal regulations, it works with the local and regional governments in the Lower Mainland to ensure that planning, construction and operations are done in consultation with municipalities to be consistent with local zoning and land use and to promote economic viability, the protection of the environment, and the maintenance of sustainable communities.

First Nations

Port Metro Vancouver is committed to establishing successful relationships with First Nations. The Port's Aboriginal Engagement Program strives to build dialogue and strong relationships with First Nations that have an interest in working with the Port. To date, this has resulted in the signing of protocol agreements with two First Nations and the involvement of other First Nations in the review of projects in the Port.

Business Environment

Port Metro Vancouver provides services, facilities, or products to a broad range of companies and organizations. Major customer groups include marine carriers, major shippers, terminal operators and tenants.

Port Metro Vancouver faces competition from major ports on the West Coast, each of which operates in the same sectors and markets to varying degrees. East Coast ports including Montreal and Halifax also compete with the Port in certain sectors, but to a lesser extent.

Business Sectors

Automobiles

The Port's two auto terminals in the Fraser River receive nearly 100 per cent of all Asian imports destined for the Canadian market and serve more than a dozen of the world's top auto manufacturers. The Port handles approximately 400,000 vehicles annually through the Vancouver Gateway, making Port Metro Vancouver one of the top three ports on the West Coast for vehicle handling.

Breakbulk

Over the past number of years, foreign breakbulk volumes steadily declined as traditional breakbulk products such as woodpulp, lumber and metals were increasingly transported in containers. However, in 2009 this trend levelled off, benefiting this sector. Port Metro Vancouver has approximately 80% of Canadian West Coast market share in the breakbulk sector. Squamish, and to a limited extent some US ports, compete with Port Metro Vancouver.

Bulk

Port Metro Vancouver is the leading gateway for Canadian bulk exports. Primary competition comes from Prince Rupert in the coal, grain, potash and sulphur markets. Port Metro Vancouver remains the number one North American port for bulk exports.

Kinder Morgan operates the Trans Mountain pipeline system, which distributes both crude oil and refined products to Westridge Marine Terminal where it is shipped overseas. Kinder Morgan has completed the first phase of its Trans Mountain Expansion project, which increased pipeline capacity by 75,000 barrels per day to 300,000.

Containers

Port Metro Vancouver is the Pacific Northwest leader in foreign container traffic and has gained market share recently, as US West Coast port volumes declined at a faster rate than volumes at Port Metro Vancouver during the 2008/9 recession. Port Metro Vancouver serves a different market than US Ports, focusing on the Canadian container market. Seattle and Tacoma both focus on the US market.

A new 500,000 TEU terminal began operation in Prince Rupert, Northern British Columbia, in October 2007. This terminal used approximately 50% of its capacity in 2009. Prince Rupert was built and initially promoted to serve the US Midwest market; however, it is increasingly focusing on Port Metro Vancouver's inland Canadian markets. Port Metro Vancouver still currently holds a 93% market share of Canadian container trade. Approximately 92% of Port Metro Vancouver's import containers are distributed within Canada. Of that, 35% remain in the Vancouver Gateway.

Cruise

Port Metro Vancouver's cruise business has seen steady competitive pressure from Seattle. Passenger volumes, however, increased by 5% in 2009. The H1N1 pandemic led to diversions of some Southern California home port cruises north to Vancouver rather than south to Mexico. This pandemic and other market factors resulted in a 5% increase in passengers and a 6% increase in revenue. The higher cost of flights in and out of Vancouver compared to Seattle is a major factor affecting passenger demand for round-trip sailings.

Port Metro Vancouver's cruise traffic is expected to decline by 36% in 2010 as three ships move out of the Alaska market due to the unfavourable business and taxation climate in Alaska. Following 2010, cruise volumes are expected to rise at an annual rate of 12% as travel and tourism rebounds alongside economic recovery.

Supply Chain

Port Metro Vancouver's cargo and passenger traffic is supported by a supply chain that consists of a broad network of railways, roads, seaways, pipelines, and air corridors that link businesses in local and international markets. The ongoing operation and development of this network is vital in making the Port a smooth, efficient and reliable gateway.

Rail

Canadian National (CN), Canadian Pacific (CP) and Burlington Northern Santa Fe (BNSF) railways, whose networks reach across the continent, serves the Port. Southern Railway of BC also serves the Port, providing short-line service in the Lower Mainland. CP and CN have cooperative operating agreements that allow the two railways to optimize the use of their infrastructure from Vancouver through the Fraser Canyon.

Canada's rail system performs fairly well, but service issues are an ongoing concern. A Transport Canada led Rail Service Review, which is currently underway, is analyzing rail logistics chain issues and will make recommendations to address problems that are identified.

Trucking

Trucking companies servicing the Port provide pick-up and delivery services throughout Canada and the United States. Port Metro Vancouver administers a mandatory Truck Licensing System (TLS) for container trucks and operators that authorizes them to operate on Port roads and marine container facilities. In April 2009, Port Metro Vancouver implemented tough safety and environmental licensing standards through the TLS. With input from the trucking industry, emission standards were set until 2017 and are among the most stringent in North America.

Asia Pacific Gateway & Corridor Initiative

The Asia-Pacific Gateway & Corridor Initiative is an integrated set of federal government investment and policy measures focused on increasing trade with the Asia-Pacific Region. It includes the Roberts Bank Rail Corridor Improvement Program and the Lower Mainland Rail Network Assessment.

The Roberts Bank Rail Corridor Improvement Program is a collaborative program developed to improve road and railway crossings and rail infrastructure between Deltaport and the Mission Bridge. This $307 million project will increase road and rail capacity while reducing detrimental impacts on local communities. The cost of this project will be shared among various partners with Port Metro Vancouver contributing up to $50 million on behalf of industry, the federal government contributing $75 million, railways contributing $32 million and other partners contributing the remainder. Additionally, the railways have committed to invest another $60 million in rail infrastructure to increase capacity along the corridor to meet the needs of shippers and improve supply chain efficiencies.

The Lower Mainland Rail Network Assessment includes the South Shore and North Shore Trade Areas. Results from this initiative have been provided as input to Transport Canada and supported the advancement of five infrastructure improvement projects on the North Shore, expected to cost $283 million with Port Metro Vancouver contributing up to $59 million on behalf of industry. A final report for the South Shore Trade Area Study was completed in the Spring of 2009 and outlined two high-priority improvement concepts costing $127 million, with Port Metro Vancouver contributing up to $58 million on behalf of industry. Work on expanding the Lower Mainland Rail Network Assessment to include the Fraser River Trade area has also commenced. 90% of Port Metro Vancouver's contribution to the Roberts Bank Rail Corridor Improvement Program and the infrastructure improvement projects in North Shore and South Shore trade Areas will be recovered by a new fee. Overall, this work will lead to a long-term strategy for the entire Lower Mainland and help position the Port to continue to meet its growth objectives.

Strategy

Port Metro Vancouver has adopted six strategic priorities within the context of the critical business issues the Port is facing today. They support the prime goal of achieving the Port's vision of being valued by customers, embraced as a member of the community, and recognized globally as a leader is port sustainability.

These strategic priorities are medium term goals that state what either Port Metro Vancouver can do or influence in a few key areas to achieve its vision.

Strategic Priorities

Operational Efficiency, Capacity and Customer Value Enhancement

Improve the reliability and expand throughput capacity of the supply chain to meet customer needs and enhance value to our customers.

Rationale: Port Metro Vancouver's customers value a reliable supply chain. In order to be competitive, Port Metro Vancouver must look beyond its waterfront operations to ensure that the Pacific Gateway maintains optimal efficiency and effectiveness. There are a number of issues that must continue to be addressed, including rail and labour supply/reliability, if the Pacific Gateway is to complement and enhance the reputation of this port as a competitive North American gateway. Customers also value a supply chain that can grow with their business. There is an opportunity for Port Metro Vancouver to further align with its supply chain partners to expand the Gateway's capacity as well as improve its overall performance.

Organizational Excellence: People and Processes

Ensure that we have engaged people, effective processes, and appropriate technologies.

Rationale: As an organization that is flexible, efficient, and effective, Port Metro Vancouver will enhance its ability to achieve its long-term potential. By ensuring that there are engaged employees, effective processes and appropriate technologies in place, this potential can be realized.

Land

Ensure there is sufficient land, appropriately utilized, to meet long term requirements of the Port.

Rationale: The continued growth of Asian economies, their increasing demand for Canada's natural resources and their establishment as the world's manufacturing centre presents a tremendous growth opportunity for the Greater Vancouver region. Population growth in the Lower Mainland will also create a need for economic growth. To capitalize on this opportunity, the Port's and supporting off-dock land base will need to be expanded.

Government and Community Relations

Engage community and government to ensure alignment of community support and government decision-making with the needs of the Port.

Rationale: Aligning government decision making with the needs of the Port is an essential part of ensuring that the long-term strategic vision of the Port is realized. Relationships with key interest groups and stakeholders need to be leveraged to make the most of available opportunities. The Port also needs to be aware of governments' legislative calendars to target priority areas for policy reform and develop appropriate advocacy efforts that are supported by informed policy positions in order to enhance governments' support for port-related initiatives.

Corporate Social Responsibility (CSR)

As part of its long term sustainability strategy Port Metro Vancouver will deliver material progress on the most relevant CSR initiatives.

Rationale: Port Metro Vancouver recognizes that its operations have broad impacts and that it must continuously monitor and understand these impacts, and act to appropriately mitigate the negative impacts, to ensure the future viability of the Gateway and those whose livelihoods depend on or are affected by it. To ignore this responsibility is to risk losing community acceptance and the Port's social license.

Strategy and Long Range Planning

Develop and deliver a Port Metro Vancouver planning process that successfully engages stakeholders and creates a strategy and long term plan for Port Metro Vancouver that guides decision making in the short, medium and long term.

Rationale: A long range planning process will help Port Metro Vancouver to engage its stakeholders, focus its resources, and guide its decision making. With its diversity of business functions, stakeholders and customers, a long term Port Metro Vancouver planning process will serve as a benchmark against which actual performance can be measured and reviewed and in addition, provide a framework within which the Port can develop and pursue business strategies for the long term.

Capability to Deliver Results

Port Metro Vancouver has the human and financial resources required to execute its business plans, achieve its strategic priorities, and create value for its customers.

Financing Plans

Port Metro Vancouver has established a 2010 operating budget and a 2010-14 Capital Plan to support the achievement of Port Metro Vancouver's vision and mission.

Port Metro Vancouver's Capital Plan outlines spending of $680 million between 2010 and 2014, with $153 million of that amount budgeted for 2010. In all, the majority of these capital expenditures directly support four of Port Metro Vancouver's six strategic priorities, as outlined below:

Strategic Priority	Capital Plan Funds Allocation (2010-2014)	Funds Allocated ($MM)
Operational Efficiency Capacity Customer Value Enhancement	Gateway Infrastructure Initiatives Other Trade Corridor Initiatives Transportation Logistics Program Terminal Dock Development	$167 $40 $13 $6
Organizational Excellence: People and Processes	Information Services	$11
Land	Property Acquisitions Richmond Logistics Hub – Site Services and Development Fraser River Land Reclamation Project	$226 $14 $8
Government and Community Relations	First Nation Programs (Approved) Highway 91/Nelson Interchange	$23 $8

Port Metro Vancouver's operating budget alone does not provide the funds necessary to achieve the organization's strategic priorities. Port Metro Vancouver is restricted by the Canada Marine Act from raising equity financing so must look to debt markets to raise any financing necessary to execute its plans.

National Bank of Canada Loan

In December 2007, Port Metro Vancouver signed a $175 million financing agreement with National Bank of Canada (NBC). This credit facility allows borrowing by way of Banker's Acceptance at the Canadian Deposit Offered Rate (CDOR) plus a stamping fee and also allows for the issuance of Letters of Credit. The facility will expire on December 12, 2012. To support ongoing borrowing requirements beyond 2012, Port Metro Vancouver anticipates renewing or replacing this facility.

Financing Requirements

Under its capital and operating plan, Port Metro Vancouver's borrowing is estimated to peak at $323 million in 2013. Port Metro Vancouver successfully raised funds via a rated private bond issuance in 2010. This approach reduced refinancing risk and diversifies funding sources.

Current cash flow projections show that Port Metro Vancouver has the ability to fully repay all existing and planned loans.

Port Metro Vancouver's Letters Patent cap the amount of debt that the organization can hold at $510 million. Given Port Metro Vancouver's planned debt levels, this debt cap is not expected to impact Port Metro Vancouver's plans.

Financial Results

2009 Results

Revenue

Port Metro Vancouver earns revenue from fees and rents, collecting harbour dues, berthage, and wharfage fees from vessels using the Port. Harbour dues are based on the number of harbour calls a vessel makes in Vancouver, and are intended to recover investments and costs associated with harbour operations as well as harbour safety, security, cleanliness, and some common user infrastructure. Berthage fees are calculated based on the size of a vessel and the duration of its stay at a Port Metro Vancouver owned berth. Berthage fees are intended to help Port Metro Vancouver recover investments and costs associated with the wharf apron, berth dredging, and maintenance. Wharfage fees are assessed based on the weight or measurement of cargo handled on Port Metro Vancouver property, and vary by cargo type and commodity. Wharfage fees are intended to recover investments and costs associated with the provision of port infrastructure and services to handle cargo.

Port Metro Vancouver did not increase harbour dues or berthage rates for Burrard Inlet, Roberts Bank, or the Fraser River in 2009. Container wharfage rates at Fraser Surrey Docks increased in 2009 by 6% for import containers and 9% for export containers. Wharfage rebates that applied in the Inlet and at Robert's Bank were decreased from 19.5% to 9.5%, and were eliminated in 2010, as part of a program announced in 2005. Overall revenues collected in 2009 for harbour dues, berthage and wharfage were $38 million compared with $37 million in 2008, representing a 3% increase.

Cruise revenues improved in 2009 to $12 million versus $11 million in 2008. The H1N1 pandemic led to diversions of some Southern California home port cruises North to Vancouver rather than South to Mexico. This pandemic and other market factors resulted in a 5% increase in passengers and a 6% increase in revenue.

Port Metro Vancouver earned $90 million in rent (excluding provincial share revenue) in 2009 compared with $84 million in 2008. This change represents a 7% increase and is largely due to retroactive rent adjustments achieved when Port Metro Vancouver finalized rent negotiations that had been outstanding for some time with several tenants.

Expenses

Port Metro Vancouver's expenses increased from $89 million in 2008 to $94 million in 2009, a 6% increase. Decreases in administrative, depreciation, and other expenses were offset by increases in purchased services and dredging. The most significant cost increase was for dredging, which increased from $7 million in 2008 to $10 million in 2009 due to higher costs of dredging and ocean disposal.

Net Income

Port Metro Vancouver's 2009 net income was $3 million higher than in 2008. The increase in net income was due to a net increase in operating revenues of approximately $7 million stemming from rent increases and changes in its fee structure, as described above. Increased expenses of $5 million in 2009 versus 2008 partly offset the revenue gains leading to an increase in income from operations of $2 million. Finally, gains on fixed asset disposals and property rights, as well as declining interest expense, offset increases to the Federal Stipend and declining investment income resulting in the net income increase of $3 million.

Capital spending in 2009 was $171 million compared with $126 million in 2008. The $171 million can be broken down as follows:

Project	Spending
Deltaport Third Berth Project	$39.3
Vanterm Capacity Expansion	$1.6
Canada Place Exterior Replacement	$3.0
Canada Place Shore Power	$3.0
Land Acquisitions	$109.3
Other	$14.4
Total	**$170.6**

The Deltaport Third Berth Project and Vanterm Capacity Expansion Project were both substantially completed in 2009, with the exception of some remaining environmental mitigation work at Roberts Bank that will be completed in 2011. These projects add more than 600,000 TEUs of container capacity to the Port.

The Canada Place Exterior Replacement project involves required maintenance to the outside shell of the building. Port Metro Vancouver is responsible for its share of these costs as are other tenants in the building.

The Canada Place Shore Power project was completed in 2009 and enables the first cruise ships in Canada to turn off their engines while at the dock.

Port Metro Vancouver also completed a number of strategically significant land acquisitions in 2009 that will help support future port growth.

In 2009, Port Metro Vancouver drew down debt financing totaling an additional $98 million from its National Bank facility to finance its $171 million of capital expenditures. The difference was funded by cash on hand and operating cash flow.

Outlook

Fee-based revenues are expected to grow over the next few years in line with inflationary and traffic increases.

Significant growth is forecast for rental revenue as the new third berth at Deltaport opened in 2010, new leases in the Richmond properties come into force, and rental agreements on new properties purchased as part of Port Metro Vancouver's Land Acquisition Program begin to generate revenue. Thereafter, rental revenues are expected to increase, in line with ongoing increases in values of industrial properties in the gateway.

A Gateway Infrastructure Fee (GIF) is being implemented to recover the approximate $167 million industry contribution to the Trade Area and Corridor projects prefunded by Port Metro Vancouver. This GIF is expected to commence in 2011 and recover the prefunded amount over the 30 year life of the projects.

Salaries and employee benefits represent 29% of Port Metro Vancouver's operating expense budget and are expected to increase in line with general inflation levels over the next 5 years.

Net dredging expenses are currently projected to remain at 5% of annual operating expenses. Risk exists however with this item as Port Metro Vancouver must apply annually to government for ocean dumping permits for the sand and required dredging volumes, as well as volumes of offsetting dredge sand sales can vary year to year. Work on the development of a 10 year dredging program that is sustainable environmentally, socially, and financially, as well as a process to secure a new dredging contract, will continue in 2010.

Depreciation as a percentage of Port Metro Vancouver's expense budget will increase as various capital projects, such as the Deltaport Third Berth Project are completed and enter operational phases. Depreciation increases will also be driven by terminal, corridor, and trade area expansions.

Purchased Services, Energy & Utilities, and Other Operating & Administrative Expenses are expected to increase at the rate of inflation over the next five years.

Port Metro Vancouver has agreed to establish a $10 million joint venture investment fund with the Tsawwassen First Nation (TFN) to invest in projects on behalf of both organizations. This fund has not yet been established at the request of TFN as it waits for certain investment opportunities to materialize.

Driven by the above factors, Net Income is predicted to increase steadily as volumes improve and investments in property and facilities begin to earn income. While maintaining strong financial position, Port Metro Vancouver will strategically position itself to take advantage of emerging opportunities as trade volumes return to and surpass their pre-recessionary levels.

Risk

Port Metro Vancouver assesses enterprise risks and associated controls internally on a regular basis throughout each year. Port Metro Vancouver's external system is the mandated five-year risk assessment pursuant to the Port Authorities Management Regulations. The most recent of these studies was completed in May 2008.

Below is a summary description of the most important risks facing Port Metro Vancouver.

External Infrastructure Constraint

External infrastructure (road/rail/bridge) capacity does not keep pace with terminal expansion, causing lost Port Metro Vancouver revenues, diminished reputation with shipping lines and lost social license with the community.

Mitigation Plan: The federal and provincial governments are committed to the Pacific Gateway Strategy. North Shore, South Shore and Roberts Bank Corridor expansions will increase off-site capacity. Port Metro Vancouver's Community & Government Relations department works with various levels of government to coordinate Port Metro Vancouver's activities.

Port Metro Vancouver Underestimates Project Costs

Project or program planning underestimates project costs, leading to unexpected financial expenditures and causes a decreased return on investment and decreased capacity for future projects.

Mitigation Plan: Port Metro Vancouver uses third party project management, budget and costing consultants with multiple advisors for larger projects. Port Metro Vancouver does not entertain cost-plus type projects after the tendering stage for construction projects. Tendering is controlled within Port Metro Vancouver at various levels. Port Metro Vancouver has developed a project management framework and has deployed it on three large pilot and various other projects. The purpose of the framework is to increase the level of upfront planning, including internal resources and budget.

Strike or Similar Disruptive Action

A general strike (or similar disruptive) action in the logistics chain leads to a shutdown of the Port, causing reduced revenue and diminished reputation.

Mitigation Plan: Governments historically very quickly implement return to work and cooling off period legislation in this situation. Port Metro Vancouver has departments that focus on community, public and customer relations that can influence external parties to resolve these conflicts. Cost cutting measures can also be implemented to offset lost revenue.

Terrorist Attack

A terrorist attack at a port facility or vessel hijacking injures employees, port workers, cruise passengers or other citizens, causing damage to Port Metro Vancouver property or vessels, exposing Port Metro Vancouver to liability.

Mitigation Plan: Vulnerability analyses have been conducted and are reviewed regularly. Security arrangements for Port Metro Vancouver's segments of the property are reviewed regularly. Additional security measures are implemented to monitor cruise traffic and additional measures are implemented if the threat level is increased (MARSEC II or MARSEC III). Port Metro Vancouver has also acquired terrorism liability and terrorism property damage insurance.

Loss of Community Acceptance

Loss of community acceptance enables local communities to oppose a Port Metro Vancouver land use or capacity expansion project, causing increased expenses or lost revenue opportunities.

Mitigation Plan: Port Metro Vancouver incorporates public consultation in its land use planning and expansion projects and dedicates resources to engaging with its bordering communities, including community relations and community investment programs. Port Metro Vancouver contributes resources to various public causes and to municipalities, participates on various community committees, and dedicates resources to engaging with local First Nations.

Environmental Impact on Neighbours

Operations at a terminal lead to dust, noise or odours interfering with the enjoyment of neighbouring properties, causing liability claims against Port Metro Vancouver and diminished social license.

Mitigation Plan: Port Metro Vancouver imposes environmental requirements as part of its lease operations including dust suppression efforts and has a differentiated harbour dues program that rewards ships that reduce air emissions. A Port Metro Vancouver noise committee has been struck to track and manage response to noise complaints.

Industrial Land Shortage

A future shortage of industrial land in the Lower Mainland may increase real estate prices making expansion opportunities unprofitable, causing lost revenue opportunities.

Mitigation Plan: Port Metro Vancouver has a land acquisition strategy to identify and contribute to securing land for future development requirements.

Climate Change

Accelerated climate change causes more severe storms, more debris in the Fraser River, heightened sea levels leading to damage to Port Metro Vancouver assets and downtime at terminals, causing reduced revenues and increasing capital and operating expenses.

Mitigation Plan: Port Metro Vancouver has property insurance that covers storm damage and requires the same of tenants. This insurance includes compensation for business interruptions and contingent business interruptions. Deltaport had a 100 year assessment completed. An air emission inventory is complete and is feeding into Port Metro Vancouver’s climate change action strategy.

Inheritance of Environmental Issues

Port Metro Vancouver acquires land with unknown contamination causing significant unexpected costs to the Authority.

Mitigation Plan: Port Metro Vancouver conducts site assessments prior to property acquisitions and requires the vendor to remediate or compensate Port Metro Vancouver for remediation costs. Port Metro Vancouver is prioritizing its portfolio of land holdings to address environmental uncertainty and is proceeding with site risk assessments. Port Metro Vancouver is risk managing contamination to manage clean up costs.

Lack of Alignment between Supply Chain Partners

Lack of alignment between different supply chain partners creates uncoordinated operating practices, capital expansion, and disruptions in the logistics chain, causing decreased return on Port Metro Vancouver capital spending, reduced revenues and diminished reputation.

Mitigation Plan: Port Metro Vancouver coordinates with its supply chain partners to act in a coherent manner. Influencing these partners is accomplished by monitoring and measuring alignment, encouraging parties to act in the interest of the gateway, conducting rail traffic and taxi traffic studies (cruise), and mediating conflicts.

International Financial Reporting Standards

In 2008, the Canadian Accounting Standards Board directed that Publically Accountable Enterprises adopt International Financial Reporting Standards (IFRS) as Generally Accepted Accounting Principles (GAAP). Port Metro Vancouver will adopt IFRS commencing with its 2011 financial statements. In 2009, Port Metro Vancouver undertook a diagnostic of its current accounting policies and IFRS and completed an implementation plan to address the differences between current GAAP and IFRS. Evaluation of the differences has continued into 2010. Preparation of draft IFRS financial statements is scheduled for the end of 2010.