



PORT METRO
vancouver

2008 ANNUAL REPORT

MAINTAINING TIES



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This report covers the period
January 1, 2008 through
December 31, 2008.



*We support environmental programs
that help maintain a healthy
environment for future generations.*

After nearly 150 years of existing separately, the Fraser River Port Authority (FRPA), North Fraser Port Authority (NFPA) and Vancouver Port Authority (VPA) amalgamated on January 1, 2008 to continue as the Vancouver Fraser Port Authority (VFPA), doing business as Port Metro Vancouver (PMV).

The Vancouver Fraser Port Authority is responsible for the operation and development of the assets and jurisdiction of the Port in Metro Vancouver.

Port Metro Vancouver is Canada’s largest and North America’s most diversified port, trading \$75 billion in goods with more than 130 trading economies annually.

Our 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.

Our 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.



| MESSAGE FROM THE CHAIR, SARAH MORGAN-SILVESTER |

The year 2008 marked our first as the amalgamated Vancouver Fraser Port Authority. In a year of growing worldwide financial uncertainty and declining international trade, our Port retained its leadership position as Canada's gateway to the world's most dynamic economies.

We have seized our broader mandate with excitement and continue to work with industry and community stakeholders to develop sustainable growth solutions, focus on infrastructure development, mitigate environmental impacts, and grow our community support.

I extend my appreciation to each Board member who has offered their time and business expertise to direct the tremendous potential of Port Metro Vancouver during our challenging first year.

I also would like to thank Gordon Houston for his years of service as our President and Chief Executive Officer. Captain Houston's contributions have positively impacted ports in British Columbia and shaped the marine industry in Canada. With his guidance, Port Metro Vancouver has grown in a manner that respects communities, champions the environment and delivers tremendous economic benefit for our country.

Finally, on behalf of the Board of Directors, I would like to welcome Robin Silvester as the VFPA's new President and Chief Executive Officer. The Board is confident that Mr. Silvester has the knowledge and experience to successfully lead and grow our business to deliver optimum economic benefits to our country, and do so in consideration of the environment and our local communities.

Sarah Morgan-Silvester
Chair

| MESSAGE FROM THE OUTGOING PRESIDENT AND CEO, GORDON HOUSTON |

During my eight-year tenure as CEO, our organization has contributed substantially to increasing the overall import and export cargo volumes through the Port, continued to develop our infrastructure capabilities, and amalgamated the Lower Mainland's three Port Authorities into one. Most importantly, we have embraced a commitment to sustainability. As changing environmental expectations and shifting social standards continue to affect our business, we have built corporate social responsibility into the mission and values of our company.

At Port Metro Vancouver, we believe it is our collective responsibility to move the most cargo and create the largest economic impact with the smallest environmental footprint, and to generate jobs within the healthiest communities we can build.

With these beliefs at our core, Port Metro Vancouver has demonstrated resiliency given the ongoing challenges that the global economy has encountered since mid-2008. Our high degree of diversification and focus on the Canadian market has also contributed to the strong business foundation that we have built. As conditions improve, Port Metro Vancouver stands ready to seize the potential that will exist in what I believe is undoubtedly a bright future for this Port.

I would like to thank the Board for their vision, guidance and support during my time as CEO, and our many customers, tenants and stakeholders for the value they bring to our relationships. Especially, I would like to thank the staff at Port Metro Vancouver for their dedication, enthusiasm and commitment. Our people continue to be our number one asset, and I am proud to have served with them to build the Port for the benefit of all Canadians.

Captain Houston served as the Vancouver Fraser Port Authority's President and CEO until his retirement on March 31, 2009.

Captain Gordon Houston
President and Chief Executive Officer



Robin Silvester

Incoming President and Chief Executive Officer

On February 5, 2009 the Board of the Vancouver Fraser Port Authority announced the appointment of Robin Silvester as incoming President and CEO.



| CORPORATE GOVERNANCE |

The Vancouver Fraser Port Authority is a non-shareholder, financially self-sufficient corporation, established by the Government of Canada, pursuant to the *Canada Marine Act*, and accountable to the federal Minister of Transport, Infrastructure and Communities. Governed by a diverse Board of Directors appointed by government and industry, the VFPA is able to make independent and timely decisions on business plans and capital spending, clearly focused on the operational needs of port users, and guided by a vision for long-term sustainability and competitiveness.

The Board of Directors consists of 11 members appointed by the three levels of government, with additional members appointed by the Federal government in consultation with the port user-composed Nominating Committee. The Board is responsible for the stewardship of the VFPA and has accountability for its overall governance, while the President is charged with its day-to-day management. In overseeing the business of the VFPA, the Board considers the legitimate interests of employees, customers, stakeholders, communities and all levels of government.

| BOARD AND SENIOR EXECUTIVE |



Back row left to right:

*Andrew Johnston, Board Member;
Chris Badger, Chief Operating Officer;
Allan Baydala, Chief Financial Officer;
Captain Gordon Houston, President and CEO;
Doug Butterworth, Board Member;
Anne Bancroft-Jones, Board Member;
Tom Winkler, Chief Strategic Development Officer.*

Front row left to right:

*Jack Matthews, Board Member;
Helen Sparkes, Board Member;
Trevor Klassen, Board Member;
Lori Lindahl, Vice President, Human Resources and Sustainability;
Sarah Morgan-Silvester, Chair;
John Willcox, Vice-Chair;
R.V. (Bob) Wilds, Board Member.*

Missing: *Pat Jacobsen, Board Member.*

Also served in 2008:

*Kazuko Komatsu, Board Member;
Kenneth Matchett, Board Member;
Peter Podovnikoff, Board Member;
Captain Allen Domaas, Chief Sustainability Officer.*

*We support engagement programs
that build strong relationships.*



| SUSTAINABILITY |

Mindful of its economic, social and environmental footprint, in 2008 Port Metro Vancouver advanced its work toward a sustainability framework to ensure that Port programs and initiatives reflect environmental, social and economic responsibility.

| ENVIRONMENTAL SUSTAINABILITY |

Our sustainability framework supports environmental programs that combine innovative mitigation and enhancement initiatives, new technologies, operational efficiencies and excellence in environmental stewardship to help maintain a healthy environment for future generations.

- Port Metro Vancouver manages marine and landside port operations and tenanted Port real estate to avoid or mitigate adverse environmental effects.
- The Canada Place Shore Power Initiative allows shore power equipped cruise ships berthed at Canada Place to shut down their engines and connect to an electrical grid while at dock.
- The Northwest Ports Clean Air Strategy partners Port Metro Vancouver with the Ports of Seattle and Tacoma in a voluntary program based on performance goals for 2010 and 2015 to reduce port-related contributions to air quality and greenhouse gas emissions in the Georgia Basin-Puget Sound air shed.
- The Port's Differentiated Harbour Dues Program provides fee reductions for vessels that have implemented measures to reduce air emissions.
- Mandatory container truck reservation systems, extended gate hours and container truck environmental requirements contribute to improved air quality in the Metro Vancouver area.
- Port Metro Vancouver has a program of on-going assessment of historically contaminated Port lands and initiates remediation programs to address problematic contamination where appropriate.

| SOCIAL SUSTAINABILITY |

Our sustainability framework supports community and aboriginal engagement programs that encourage strong relationships and ongoing dialogue with the communities that share geography and interests with the port.

- The Port's Community Engagement Strategy is based on open two-way communication and meaningful public participation. We work with industry partners, municipalities and the broader community to raise awareness about Port Metro Vancouver, its operations and its impact on the community; build capacity for proactive problem-solving processes and dialogues at the community level; and, reach consensus on solutions and future developments that all parties can embrace.
- During 2008, the Port undertook extensive consultation and communications activities with the community of Delta to identify issues and minimize impacts related to the Deltaport Third Berth Project. This was highlighted by the work of the Deltaport Third Berth Community Liaison Committee that held seven meetings throughout the year, and was augmented by community information sessions, newsletters, and the Delta Artist community ad campaign.
- Port Metro Vancouver dedicates one percent of its net income to community-based charitable, non-profit, scholarship, donation and sponsorship activities based on education, environment and community enrichment, to support and strengthen the communities in which the Port operates.
- Port Metro Vancouver is dedicated to employment equity and a workplace reflective of the diversity of our community.
- Port Metro Vancouver's education outreach program reaches primary, secondary and post-secondary educators and students through career fairs and school presentations, and initiates a Leadership Program for secondary students to partner schools in four port municipalities.





| ECONOMIC SUSTAINABILITY |

Our sustainability framework supports marine and transportation infrastructure projects and supply chain initiatives that reflect responsible growth solutions to facilitate the secure and efficient movement of goods and passengers through the Port and generate vital economic value for our nation.

- As the most diversified port in North America, Port Metro Vancouver operates across five business sectors — automobiles, breakbulk, bulk, containers and cruise — and provides a solid economic foundation to local communities and to Canadian shippers and manufacturers.
- Activities at the Port account for 129,500 total jobs across Canada and \$6.1 billion in wages.
- Port activities generate \$22 billion in economic output and \$1.2 billion annually in tax revenue to all levels of government.
- Planned capital investments by Port Metro Vancouver and its tenants of more than \$4 billion dollars in infrastructure over the next 10 years will continue to strengthen our economy and serve the trade and industry requirements of our region and nation.

We support projects and initiatives that reflect responsible growth and generate economic value.



| HIGH WATER MARKS |

- On January 1, 2008, the Fraser River Port Authority, North Fraser Port Authority and Vancouver Port Authority amalgamated to continue as the Vancouver Fraser Port Authority, doing business as Port Metro Vancouver.
- Handled nearly 115 million tonnes of cargo.
- Released InterVISTAS study confirming that activities at the Port generate \$10.5 billion in GDP and 129,500 jobs nationally, emphasizing the Port's value as a vital economic generator.
- Signed on as an Official Supplier of the Vancouver 2010 Olympic and Paralympic Winter Games, and will provide facilities and support leading up to and during the 2010 Winter Games.
- Partnered with the Ports of Seattle and Tacoma to implement the Northwest Ports Clean Air Strategy, an environmental initiative addressing port-related contributions to air quality and climate change in the Georgia Basin-Puget Sound Airshed, and the first-ever international cooperative effort of this nature in the port community.
- Developed a dredging policy, including stakeholder consultation on Port Metro Vancouver's dredging philosophy, and committed to a 10-year dredging program, a 30-year dredge material program, and a \$7-million-over-10-year Local Channel Dredging Contribution Program.
- Announced plans for implementation of shore power for cruise ships at Canada Place, beginning with the 2009 cruise season, a \$9 million cooperative initiative between Port Metro Vancouver, Federal and Provincial governments and cruise lines Holland America and Princess Cruises that is a Canadian first, and a highly effective way to reduce marine diesel air emissions.
- Continued with implementation of a \$25 million environmental mitigation program for the Deltaport Third Berth Project.
- Spent \$2.5 million in 2008 toward a \$3.2 million commitment in funding for Highway 17 improvements as part of traffic mitigation activities for the Deltaport Third Berth Project.
- Contributed \$2 million to the Corporation of Delta for the acquisition of the historic Seven Seas Fishing Co. Site in Ladner, as part of that community's plan to revitalize Ladner Harbour.
- In alignment with the Northwest Clean Air Strategy, Port Metro Vancouver implemented its Truck Licensing System (TLS) environmental policy for 2009-2017, resulting in opacity emissions testing requirements for some older vehicles, and phasing out of others.
- Invested one per cent of net income in support of community-based charitable, non-profit, scholarship, and donation initiatives in Port communities.
- Participated in 75 community events with a combined attendance estimated at 380,000 people.

| RESULTS |

The world economy experienced challenges in 2008 and Port Metro Vancouver's cargo statistics for the year reflected the interconnected nature of global trade. Overall tonnage reached nearly 115 million metric tonnes, down 10% from 2007. However, factors such as the Port's high degree of diversification and focus on the Canadian market allowed Port Metro Vancouver to demonstrate stability and resiliency during a period of unprecedented worldwide economic difficulty, particularly in comparison to many of the Port's competitors. In 2008, Port Metro Vancouver led North American ports in total foreign exports and ranked first among West Coast ports in total cargo tonnage.

| COLLABORATIVE RESULTS |

2008 Total Tonnage

('000 metric tonnes)	2008	2007	2006	2005	2004
Total Port	114,560	127,844	128,904	131,708	127,931

2008 Trading Economies
(Inbound and Outbound)

Total ('000 metric tonnes)	2008	2007
1 Japan	18,568	17,790
2 China	15,540	17,188
3 South Korea	8,800	7,743
4 United States	6,855	5,168
5 Brazil	3,140	2,930
6 Taiwan	2,757	2,695
7 Mexico	2,096	1,654
8 India	1,899	2,630
9 Singapore	1,867	551
10 Germany	1,733	2,171

2008 Total Containerized Tonnage
(Inbound and Outbound)

Total ('000 metric tonnes)	2008	2007
1 China	9,424	9,227
2 Japan	2,897	2,963
3 South Korea	1,548	1,516
4 Taiwan	1,264	1,416
5 Hong Kong (SAR)	1,064	987
6 Thailand	592	609
7 Indonesia	525	711
8 India	446	645
9 Malaysia	362	393
10 Philippines	286	325



Automobiles

Automobiles ('000 units)	2008	2007	2006	2005	2004
Total	456	457	424	453	437

In a difficult environment for vehicle sales, auto shipments through Port terminals remained at essentially the same level as the previous year at a total of 456,442 units. As a positive contributing factor, the Port handles 100% of Asian overseas imports to Canada and imports maintained a stronger position than domestic cars in the Canadian market. In addition, both Port auto terminals service a wide range of Japanese and Korean manufacturers, while domestic vehicle traffic was more significantly affected by adverse market conditions, particularly in the latter part of the year.



Breakbulk

Breakbulk ('000 metric tonnes)	2008	2007	2006	2005	2004
Total	20,561	27,389	38,305	40,911	38,933

Breakbulk, sometimes referred to as general cargo, made up 18% of the Port's total tonnage in 2008. This sector experienced the year's most significant decline, down 25% from 2007. The reduction was attributable to a variety of factors connected to the economic downturn, led by challenges in the forestry market for products such as logs, lumber, paper and woodchips. Iron, steel and alloy volumes also declined. The general trend toward shipping cargo in containers continues to affect breakbulk volumes.



Bulk

Bulk ('000 metric tonnes)	2008	2007	2006	2005	2004
Total	73,081	78,947	71,674	72,891	71,879

In 2008, bulk cargo represented 64% of total Port tonnage, the largest of the Port's sectors. Results were mixed, depending on commodity, but overall volumes declined 7% over 2007. Coal experienced a moderate increase, and petroleum products increased 14%. Grain was down 4%, resulting from a combination of market conditions for the various grain products ranging from late harvest and pricing fluctuations, to letters of credit issues precipitated by global banking concerns. Canola was a bright spot, up 16% in response to strong market demand. Results for fertilizers were mixed, with markets affected by shifts in price, supply and demand. Sulphur ended the year down 12%, while potash was up slightly. A substantial decline in metals and minerals was largely attributable to a weak market for aggregates brought on by a slowdown in the construction industry.



Container

Containers '000 TEU	2008	2007	2006	2005	2004
Total	2,492	2,496	2,302	2,140	1,982

In contrast to other West Coast ports in 2008, Port Metro Vancouver's container sector remained stable, with overall container volumes unchanged from the previous year at nearly 2.5 million TEUs. The first half of the year showed positive increases in import and export volumes, but the worldwide economic downturn led to a decline in container imports in the latter part of the year. In addition to being Canada's highest volume container port, PMV retained its lead in container traffic handled among Pacific Northwest ports with a 38% market share, and ranked third among North American west coast ports in this category.



Cruise

Cruise Revenue Passengers	2008	2007	2006	2005	2004
Total	854,493	960,554	837,823	910,172	929,976

In the 2008 season, Vancouver welcomed 28 cruise ships for a total of 254 calls, bringing approximately 855,000 cruise passengers to the city. Counts declined from 275 sailings and 960,000 passengers in 2007 due to redeployment of a vessel. In 2008, sailings and revenue passenger numbers reverted to the trend line from previous years. The cruise industry creates significant employment and economic benefits within the region and an economic impact across Canada estimated at \$1.3 billion.



Port Metro Vancouver is committed to self-sufficiency and the reinvestment of profits to continuously improve facilities, infrastructure and services for users, to benefit communities, and to enhance our environmental programs. Financial results are affected by the success of our trading partners and the growth of trade across the country. We plan and invest to support sustainable growth for future generations while we meet our financial targets today.

Highlights of the 2008 financial performance are included in the next few pages and in related complete financial statements available upon request.

BALANCE SHEET	
Year Ended December 31	2008
Assets:	
Current assets	34,117
Investments in securities	4,415
Long-term receivables	3,449
Accrued benefit asset	3,446
Deferred charges	1,757
Property, structures and equipment	840,230
	887,414
Liabilities:	
Current liabilities	82,379
Other employee benefits	1,800
Accrued benefit liability	1,759
Deferred revenue	9,514
Other deferred amounts	1,169
Long-term obligations	21,151
	117,772
Equity of Canada:	
Contributed capital	150,259
Retained earnings	619,383
	769,642
	887,414

STATEMENT OF OPERATIONS AND COMPREHENSIVE INCOME	
Year Ended December 31	2008
Operating Revenue	139,877
Expenses:	
Amortization	28,199
Wages, salaries and benefits	27,928
Other operating and administrative expenses	15,326
Payments in lieu of taxes	5,149
Professional fees and consulting services	6,296
Dredging	6,472
Maintenance and repairs	2,882
	92,252
Income from operations	47,625
Other expenses (income):	
Federal stipend	4,822
Interest expense	2,022
Writedown of fixed assets	1,390
Loss on disposal of structures and equipment	28
Investment income	(1,005)
	7,257
Net Income and Comprehensive Income	40,368

STATEMENT OF CASH FLOWS	
Year Ended December 31	2008
Operating activities:	
Net income	40,368
Items not involving cash:	
Amortization	28,199
Write down of fixed assets due to impairment	1,390
Loss on disposal of structures and equipment	28
Other	(774)
	69,211
Changes in non-cash operating working capital	9,422
	78,633
Financing activities:	
Net change in investments in short-term securities	4,062
Net change in short-term borrowing	16,762
Purchases of investments in long-term securities	(600)
Proceeds from investments in long-term securities	1,816
Principal payments on long-term obligations	(12,701)
Proceeds from long-term obligations	2,500
Long-term receivables	184
Principal repayment on lease financing assets	159
	12,182
Investing activities:	
Purchase of property, structures and equipment	(102,147)
Additions to lease financing assets	(192)
Return of funds held in escrow	700
Proceeds on disposal of equipment	171
	(101,468)
Decrease in cash	(10,653)
Cash, beginning of year	25,971
Cash, end of year	15,318



| SUBSIDIARIES |

Canada Place Corporation

Canada Place Corporation (CPC) is a wholly-owned subsidiary of the VFPA. CPC is the financially self-sufficient Crown agent responsible for the stewardship of Canada Place in Vancouver. Canada Place welcomes Canadians and visitors from around the world and is a hub of economic activity, generating more than \$1 billion each year.

CPC is the property manager for the businesses at Canada Place including the VFPA's Vancouver office, Cruise Ship Terminal, Vancouver Convention & Exhibition Centre, the Pan Pacific Hotel, CN IMAX Theatre, World Trade Centre Office Complex and Citipark parking facility. In addition to ensuring Canada Place operates at a world-class level, CPC is also charged with the mandate of creating a hub of community activity at Canada Place, a focal point of tourism promotion and national pride. CPC actively works to create a year-round destination attraction, producing a number of marquee events including the largest Canada Day celebrations outside Ottawa.

Port Vancouver Ventures Ltd.

Port Vancouver Ventures Ltd. (PVV), a wholly-owned subsidiary of the VFPA, was incorporated to provide a vehicle to invest in business ventures whose activities are necessary to support VFPA's core port operations. PVV's current activity consists of investment in a joint venture for the development of a multi-modal, multi-tenant distribution hub. PVV works together with importers, exporters, shipping lines, railways and other key stakeholders to improve the efficiency of the transportation logistics chain by creating off-dock storage and reducing the movements of empty containers through the Port, which positively impacts the Port's competitive position and helps to sustain growth in containerized cargo volumes.

North Fraser Terminals Inc. | Port Vancouver Enterprises Ltd. | Port Vancouver Holdings Ltd.

North Fraser Terminals Inc., Port Vancouver Enterprises Ltd., and Port Vancouver Holdings Ltd. are wholly-owned subsidiaries of the VFPA and exist as property holding companies.

| CONTACT US |

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Printed in Canada | May 2009

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